

EU STRATEGIC MARKETING GUIDE 2002

COMPUTER SOFTWARE AND IT SERVICES

VOLUME I



CENTRE FOR THE PROMOTION OF IMPORTS FROM DEVELOPING COUNTRIES

EU STRATEGIC MARKETING GUIDE 2002

COMPUTER SOFTWARE AND IT SERVICES

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INTRODUCTION

This EU Strategic Marketing Guide offers a practical handbook for exporters engaged, or wishing to engage in exporting computer software and IT services products to the European Union. It aims to facilitate exporters in formulating their own market and product strategies through the provision of practical information and a methodology of analysis and ready-to-fill-in frameworks.

It is of vital importance that exporters comply with the requirements of the EU market in terms of product quality, technical standards, directives, appearance, packaging, labelling and environmental standards. These items and other issues, which seriously have to be taken into account when entering the EU market, are covered in Chapter one.

Chapter two offers a “Business Guide” or checklist for exporters wishing to engage in exporting computer software and IT services products to Europe. The guide consists of three parts: Product profiles (in which a few interesting products will be highlighted), a market opportunity analysis to determine suitable sales channel(s), and a checklist for building up a trading link.

Statistical market information on consumption, production and trade, and information on trade structure and prices and margins, which is required for the ready-to-fill in frameworks, can be found in the matching EU Market Survey “Computer Software and IT Services”. The EU Market Survey also includes contact details of importers, trade associations, and other relevant organisations.

Market research

This EU Strategic Marketing Guide and the EU Market Survey serve as a basis for further market research: after you have read the Market Survey and filled in the frameworks in this strategic marketing guide it is important to further research your target markets, sales channels and potential customers.

Market research depends on secondary data (data that have been compiled and published earlier) and primary data (information that you collect yourself). An example of secondary data is the EU Market Survey. Primary data are needed when secondary data fall short of your needs, for example when researching your specific type of consumer about the acceptance of your specific product. Sources of information are among others (statistical) databanks, newspapers and magazines, market reports, (annual) reports from branch associations, but also shops and websites in target countries, products or catalogues from your

competitors, and conversations with suppliers, specialists, colleagues and even competitors. After you received/collected your information, you should analyse it. In order to judge the attractiveness of the market, sales channel or customer you should use/develop a classification or score system.

For more detailed information on market research, reference is made to CBI’s Export Planner (2000).

1 DOING BUSINESS IN THE EU: REQUIREMENTS FOR ACCESS

1.1 Non-tariff trade barriers: Quality assessment and control

Any business plan should give consideration to the quality standards required in a potential target market and to whether the firm has achieved those standards. As any new IT service exporter trying to develop market entry must first build up an image of competence, in order to reassure potential clients as to the quality of services it can offer, it is to the firm's advantage to have some form of internationally recognised quality certification, such as certification to ISO 9000.

A software company must be able to deliver a product or service that meets customer requirements, is delivered on time, works first time, is user-friendly and technically well-designed and developed. This is usually achieved by having competent professional staff, being customer aware, working with a well defined methodology and using the best available development and test tools. Only a company that is committed to quality culture can deliver on this.

Quality is defined by many organisations as conformity to requirements. This translates to: if you do not give the customers what they want, then it is not quality. Another definition of quality is fitness for purpose, which is based on the results after use. The customer is the final judge of quality. Starting from the understanding of the wants and needs of the customer, through to the delivery of the supplier's product or service, the basics are the same. They are:

- Listen to the customer;
- Define how to address the opportunity;
- Develop alliances, products and services;
- Deliver the required products and services;
- Measure the results to see what is required, and what differences are being made.

Currently, there are many quality standards worldwide, such as CMM and ISO 9000. The costs of developing a quality system (prescribing to a quality standard) vary greatly, depending on the level at which processes are already described and documented. The standards enable and require the quality system to be continually reviewed, not only for compliance but also for effectiveness.

The emphasis must be on total quality management, with certification being an important milestone. ISO 9000 is a usual framework for guiding quality improvement, but it is an inadequate measure of the quality level of a company.

TQM

Total Quality Management (TQM) is a management philosophy and a way of conducting business that emphasises more sophisticated techniques of continual improvement; it is a kind of cultural environment.

TQM is a proven, systematic approach to the planning and management of activities. It can be successfully applied to any type of organisation. The fundamental concepts of TQM are very simple:

1. A successful business relies on making profitable sales to its customers. A business will only retain the support of its existing customer base and attract new customers if it can deliver output (products or services) which conforms to the requirements of its customers.
2. A business will only be able to satisfy the requirements of its customers if it:
 - a identifies the requirements of its customers;
 - b delivers output which conforms to those requirements.
3. A business will be able to maximise profits only if it produces its output efficiently. In order to do this, a business must direct all its activities towards achieving the necessary output at a minimum cost. This can be achieved by:
 - a ensuring the design process results in output which conforms to customer requirements, and can be produced cost-effectively;
 - b minimising inefficiencies when producing services or products, such as waste;
 - c reviewing all activities to ensure they are directed at satisfying the requirements of external customers. If they are not, then consideration should be given to ceasing those activities.

Most managers are shocked by the cost of the errors, which they have previously accepted as 'normal'. By focusing on eliminating this burden, an organisation can significantly improve its performance.

So basically, Total Quality Management means meeting customers' requirements at minimum cost. This is done by: understanding customers (which can be external or internal); understanding the business; establishing Quality Management Systems (such as ISO 9000); continuous Quality Improvement (which means management commitment; employee involvement; education; teamwork; measurement; error prevention) and using Quality tools (such as statistics and benchmarking).

ISO 9000

ISO 9000 is a series of international standards for quality management and assurance issued by the International Standards Organisation. The five standards are ISO 9000, ISO 9001, ISO 9002, ISO 9003 and ISO 9004. There are competitive advantages for ISO 9000 certified suppliers. They have recognised quality credentials to show to customers. An increasing number of customers is nowadays asking for proof of ISO 9000 certification to be included in commercial proposals.

As ISO is truly international, these quality credentials may save companies in developing countries many hours and much money, by proving their capability to overseas clients. The ISO 9000 programme highlights management and system deficiencies and will, if adhered to, improve the capability to produce a quality service or product. The benefits are fewer errors, less waste, lower unit costs and improved reliability. The result is higher customer satisfaction.

Many companies have become more interested in the improvements they start to see in their business than the certification itself. If companies are serious about implementing quality in their organisation, ISO certification will be only one of the actions that they could take. It is essential that continuous improvement is their main focus. Customer expectations will continually rise and competitors will respond. Quality improvements should never end. However, companies must remember that the emphasis must be on total quality management, with certification being an important milestone. ISO 9000 is a useful framework for guiding quality improvement, but is an inadequate measure of the quality level of an organisation. Many software companies, wrongly, focus exclusively on the production side of their business and on the tools and methodologies they use. They ignore the fact that quality is a cultural issue.

TickIT is a name used in the UK for software quality management. A new ISO standard specific for software development is ISO 15504. It consists of nine documents produced in 1998 as a result of the SPICE project (Software Process Improvement and Capability dEtermination). The activities in Europe were co-ordinated by the European Software Institute (ESI) in Bilbao, Spain.

Please refer to ISO's Internet site www.iso.ch for up-to-date information and to CBI's publication "Exporting to the European Union" for an overview of all ISO 9000 standards.

CMM

The prospects for developing countries in software development will depend a great deal on the "maturity" of their software producers. A major premise in

software development management is that the quality of a piece of software is governed largely by the quality of the process used to develop and maintain it. In a mature process, the methods, techniques, and technology are used effectively and produce reasonably consistent results. Improvements in quality and productivity occur in part as a result of automation. However, if a software development process is immature, unpredictable results occur; formal procedures, cost estimates and project plans are lacking; and technology is used on an ad hoc basis.

There is considerable middle ground between these two organisational extremes. The increasingly popular Capability Maturity Model (CMM) (see table 1.1), by which firms and organisations can judge the effectiveness of their software development process, has five maturity levels:

Table 1.1 The CMM process levels

Products groups

Level 5	Optimising
Level 4	Managed
Level 3	Defined
Level 2	Repeatable
Level 1	Initial

Level 1

The initial process level. This is the minimum and lowest possible level. A firm has ad hoc processes, ill-defined procedures and controls. Typically, it operates without project controls, and does not integrate tools and techniques with the process. Coding and testing are dominant activities. Established procedures, if they exist, are usually abandoned in a crisis.

Level 2

The repeatable process level. A firm has established basic management practices and project controls, such as project scheduling, coding standards, product assurance, and change control. Mechanisms are in place for ensuring that the design team understands each software requirement. Statistics may be gathered on software code and test errors. The strength of the firm may also stem from its prior experience in doing similar work, but it may face major risks when presented with new challenges.

Level 3

The defined process level. Standards and methods for technical and management activities required for software development are established at this level. These specifically include design and code review, training programmes, and increased organisational focus on software engineering, including measuring

specific tasks in the process. Some uncertainties remain about the value of the measurements, the best ones to use, and the appropriate response to reviews.

Level 4

The managed process level. The fully defined process is measured so that performance can be controlled. A firm typically has a minimum set of process measurements for each stage in the software life cycle, and it conducts extensive analysis of the data gathered during reviews and tests. Automated tools and techniques are used increasingly to control and manage the development process, as well as to support data collection and analysis.

Level 5

The optimised process level. Measurement results and error prevention activities are fed back to identify areas for improving. Firms at this level have achieved a high degree of control over their process, have automated data gathering, and typically have a method for improving and optimising these operations. This includes identifying and replacing obsolete technologies, more sophisticated analysis of the error and cost data, and the introduction of error cause analysis and prevention studies.

Some companies in developing countries are using the maturity model to assess their software development process and software management. The importance of such assessments is to indicate the maturity and technological levels at which a firm is operating. More importantly, it can indicate the strong and weak areas of a firm's software development capabilities, thus identifying immediate improvement priorities, interim improvement goals, and progress measures.

It is expected that European companies in search of software suppliers in developing nations will increasingly look at the formal quality programmes that are being used. Recently, a large bank in The Netherlands compiled a shortlist of potential software partners from India. Only Indian companies with at least a CMM level of 3 were eligible as candidates for this selection. A useful website is <http://www.sei.cmu.edu/cmm/cmm.html>.

1.2 Tariffs and quota

In general, all goods entering the EU are subject to import duties. However, as computer software and IT services are not goods, they are not submitted to import duties. Nevertheless, VAT taxes are applicable in the EU. For example e-commerce is causing government bodies difficulties when imposing VAT. In July, 1998 the EU endorsed a number of guidelines drawn up by the EU Commission as a first step towards ensuring that the EU's VAT system will function in the world of e-commerce. These broad guidelines were to form the

basis of the EU's input into the OECD Ottawa Ministerial Conference. They will also form the basis for the ongoing discussions at EU level. In essence, the guidelines are:

- No new taxes are to be levied on e-commerce. Instead, existing ones, specifically VAT, should be adapted;
- On-line supply of a digitised product is to be treated as the supply of a service, not goods;
- Consumption of services within the EU should be taxed within the EU, whatever their origin and whether supplied via e-commerce or otherwise. Services supplied by EU traders for consumption outside the EU are not to be subject to EU VAT, but VAT on related inputs would be deductible;
- The VAT system, covering supplies to both businesses and private individuals, must be enforceable;
- Electronic invoicing must be authorised for VAT-liable transactions within the EU, subject to agreed rules;
- The compliance burden for e-commerce operators should be as light as possible;
- Electronic VAT declarations and payments should be possible.

Moving from broad guidelines to an agreed and specific VAT regime for e-commerce was the next big step in the EU debate. Clear insights into the different VAT regimes and the EU VAT-policy on Computer Software & IT Services issues can be found at <http://www.btw-tva.be>.

2 TERMS OF THE TRADE AND TRADE PROMOTION

2.1 Terms of the trade

2.1.1 The contract

A contract is not necessarily a document. If two parties agree on something verbally, this verbal agreement is a contract according to most European laws. However, since in the case of a verbal contract it is very difficult to prove that something in particular has been agreed upon, the agreement should be confirmed in writing. For more information on the terms of trade, please also refer to UNCTAD's "Documentary Risk in Commodity Trade". Contact details of UNCTAD are listed in Appendix 6 of the EU Market Survey "Computer Software and IT Services".

Trading relations between exporter and importer are based on trust and can only be built up by meeting the high expectations of the importer. If an importer finds that the product does not meet his expectations, this will immediately backfire on the business relationship with the exporter.

We can distinguish between fixed-price/fixed-time projects and time & material projects. The method of time & material is the safest way to start with a project for a new customer. It is also better because it generates more energy from the client to co-operate, because if the client does not provide you with sufficient detailed technical information, the project will take more time to complete, and the client will have to pay more.

Sometimes, a new customer will only accept a 'no cure no pay' pilot project: if they are not happy with the results, then they will pay you nothing at all. If the project is small, you can accept this, because it anyway gives you an opportunity of getting a new customer.

European customers sometimes prefer a fixed-price and/or a fixed-time project. This is very dangerous if you are not an experienced software company, especially if you are not 100% sure you can have the work finished on time. You can accept a fixed-price project, because if it takes more time to complete, it is your own risk. However, be very careful about a fixed-time one, because if you cannot meet the deadline, the relations with the customer will deteriorate severely. And remember: having repeat business from the same customer is the most efficient way of conducting business. Finding new customers is much more difficult and costly.

In some cases, the client will give you an estimation of the time needed for the work, but in other cases they will want a proposal from you. Be very careful with this, especially if it means a lot of work to make a

proposal and if they are also asking this question to other companies. Often, they have already selected a supplier, and you are only requested to participate in a proposal because they might need this for their negotiations with the first supplier.

Making a proposal for a fixed-price or a fixed-time project means studying the available documentation (functional and/or technical specifications), interviewing management and users, and sometimes additional background research. It is generally difficult to make an accurate estimate of the time involved for a project of a new client. Techniques such as FPA (Function Point Analysis) are hardly useful if you do not know the systems of the client or if you do not have sufficient historical data. In such a case you will be dependent on the historical experience of your company.

How do you decide on your price? You have to do market research to find out the tariffs asked by local companies and you have to do a competitor analysis to check the prices asked by other firms in developing countries, active in the same market. In addition to the direct project cost, your own company has several cost factors that affect the price level:

Internal cost basis:

- direct labour costs;
- indirect labour costs;
- write-off of technical infrastructure;
- maintenance costs;
- training costs;
- marketing & sales costs;
- cost of office space, energy and telecommunications;
- contingency reservations (such as insurance);
- cost of finance;
- profit margin.

Direct project costs:

- man-hour calculations for the project;
- project management costs;
- project-related commercial costs ;
- additional investments in hardware, software, tools, training etc.;
- implementing new environments and tools;
- travel & subsistence costs;
- communications costs;
- productivity factors;
- risk factor.

In developing countries, the costs of labour and of training are in general lower than in Europe. The costs of technical infrastructure, buildings and materials, communications, travelling & subsistence, and finance are often comparable or even higher.

The 12 European countries which changed their currencies into the euro are: Finland, Italy, The Netherlands, Spain, Belgium, Austria, Luxembourg, Germany, France, Ireland, Portugal and Greece. More information can be found at: www.euro.ecb.int/en/section.html. Always remember that the exchange rate between the US\$ and the EUR will vary, influencing the eventual prices at the moment of the transaction. Due to the fluctuating exchange rate it is strongly advised not to guarantee prices over an extended period of time, but to quote the price linked to date and exchange rate. Regarding the final price of the product, transactions must always be subject to a final confirmation. This avoids problems with fluctuating exchange rates.

At a certain point, the time comes to discuss the contract in detail. It is hardly possible to include major changes after the contract has been signed, so be very careful with these negotiations. A variety of subjects can be found in a contract.

One could look at the contract from a project-related and a general point of view.

Project-related factors in a contract:

- definition of deliverables;
- project planning and timetable;
- project manning;
- technical infrastructure;
- conformity to standards and regulations;
- procedures;
- communication protocols;
- modification protocols;
- approval & acceptance protocols;
- security arrangements;
- ownership arrangements;
- guarantee period repairs.

General factors in a contract:

- pricing & payment methods;
- ownership and property rights;
- termination arrangements;
- security and confidentiality;
- force majeure;
- conflict resolution.

Details, which must be mentioned in a contract, are:

1. The contract parties: The seller, the buyer, the broker and/or buying/selling agent. Of course all names and addresses must be correctly spelled.
2. The product, price and quality of the product must be sufficiently specified, so that no misunderstandings can arise.
3. The quantities must of course be mentioned. If the buyer and the seller agree to more or less than the agreed quantity, this has to be specifically mentioned.
4. The delivery terms must be mentioned according to the description specified in the Incoterms 2000 (please refer to www.iccwbo.org/home/incoterms/the_thirteen_incoterms.asp).
5. The payment terms must be spelled out in detail.
6. The delivery time is a vital piece of information on which the seller and the buyer will have to agree.
7. If one of the parties has negotiated special conditions, this has to be mentioned in the contract.
8. What will be done if the two parties disagree with each other?
To which arbitration court / district will they turn?

2.1.2 Payment methods and delivery terms

Incoterms are standard trade definitions most commonly used in international sales contracts. Devised and published by the International Chamber of Commerce, they are at the heart of world trade. Among the best known Incoterms are EXW (Ex works), FOB (Free on Board), CIF (Cost, Insurance and Freight), DDU (Delivered Duty Unpaid), and CPT (Carriage Paid To). Check for more information: <http://www.iccwbo.org/incoterms/understanding.asp>
The determination of payment conditions for a regular export transaction is part of the package of negotiations between seller and buyer, who actually have more or less opposing interests. The seller wants to have the largest possible guarantee of financial coverage for the goods he has to supply according to his sales contracts. The buyer wants to be sure about availability, quantity and quality of the goods he buys, before he pays the agreed price.

After deduction of the commission and expenses for handling, transport etc., importers generally transfer payment within 30 days. A Letter of Credit is common practice, but is often considered cumbersome and prevents the option of retaining the money if the consignment does not prove to be as good as expected. When relations are established, cash against documents (CAD) is also a method used.

After the sale is concluded, the importer can determine the levy with the Customs, and pay a deposit. If the products are not imported within two months after this

has been done, the fixed levy is no longer valid anymore and the importer loses his deposit. This means that on-time delivery is vitally important. Another possibility for the importer is to pay the current levy at Customs clearance.

General methods and terms of payment

Clean payment

The process is fast and reliable, depending on the credit worthiness of the importer. The bank carries out the transactions through swift electronic data system and the transfer costs are not very high.

Documents against payment (D/P)

Also known as cash against documents (CAD). The buyer takes possession of the goods only after payment. Although this method is not very popular, it is very safe and the costs amount to one pro mille. One can also make use of a 'documents against acceptance of a bill of exchange'. However, the bill of exchange is not commonly used in the European Union and it does not guarantee that the bill will be paid; it is less secure than the D/P.

Letter of Credit (LC)

The irrevocable LC is very often used in the beginning of a business relationship when the importer and exporter do not know each other very well yet. The LC is irrevocable and will always be paid. The costs are higher when compared to the D/P method, namely five pro mil. This method is widely used in the European Union when dealing with exporters from outside Europe.

Bank guarantee

The buyer's bank will present a bank guarantee for the amount of the invoice.

Cheques

Bank guaranteed cheques are generally not a problem though cashing may take some time, up to six weeks. Not all personal cheques are accepted.

Payment on consignment basis

Payment on consignment basis is mostly used in the trade of perishable products, for example fresh fruit and vegetables. The products are sold at a predetermined price after a mutually appointed arbitrary person (General Super Intendance Company (GSC)) has controlled the quantity, quality and other aspects of the products at the moment of acceptance/sale. If the products do not meet the conditions as described in the contract, the contract is not valid and, depending on the conditions of the contract, prices are generally adjusted. An open account is used to make the payment after 14 days as from acceptance/sale.

It is recommended that quotations to European customers should be made on a CIF basis. However, supplier and importer are free to negotiate and agree whether quotations and subsequent trade are based on CIF or FOB prices.

Most common delivery terms:

- **FOB** (Free On Board): The buyer arranges for transportation and insurance. FOB must specify the port of departure.
- **CFR** (Cost & Freight): The exporter pays the freight, the buyer arranges for the insurance.
- **CIF** (Cost, Insurance & Freight): The exporter pays the freight and the insurance.

2.1.3 Business practices

Doing business in Europe is interesting and challenging, but it is not easy. Sooner or later you will notice that many potential customers have hesitations in working with foreign companies in developing nations. A long list of possible objections, partly based on interviews with Philips, Rabo Bank (Dutch bank) and KPN (Dutch telecom company) can be compiled:

- "The communication will be difficult". This is one of the most important issues to address, because the quality of communication between you, the supplier, and the client will have an enormous impact on the quality of the project. Success or failure is often dependent on one issue: communication. Even if we assume that the system requirements are well specified, the specifications often change while the system is being designed or programmed. Hence, constant communication becomes a key to developing quality software. The poor telecommunications infrastructure, a common problem in developing countries, can be a serious drawback in this case. When developing a large and complex system, the problem of co-ordinating the activities of multiple teams is always a difficult one. These difficulties are magnified in a global setting. Complex projects sometimes require assigning an on-site liaison manager from your company at the clients' office. In this respect, there is another problem: it is not easy for IT staff from developing countries to work for a longer period on the location of the European customer. A visa for a short duration, up to one or three months can be obtained easily, but very strong argumentation will be needed for permission for a longer stay.
- "Your prices are too high". This might sound strange if you come from a low-cost country, but sometimes the potential customer is right: it happens that

companies in developing nations are asking a rather high hourly rate. In some cases, they are used to asking high tariffs in the United States, but they forget that the price level in Europe is sometimes only half of that in the United States.

- “Your prices are too low”. Some firms in developing nations try to penetrate the European market by asking very low prices. This is not good either, because an extremely low tariff gives European companies reason to believe that your quality is low as well, or that your productivity is low.
- “Your project management might be weak”. Unfortunately, this is often true. Many firms in developing countries have highly skilled and experienced programmers, but do not have experienced project leaders, capable of leading large or complicated international projects. Potential customers fear also a lack of control of software quality and the project timetable. The worry of possible project delays and a sense of having no control over the quality of software are always at the back of mind of a potential client.
- “What about my intellectual property?” Many developing countries have no strong regulations and laws regarding the honouring of intellectual property rights. Under these circumstances, an unscrupulous vendor may be tempted to violate the intellectual property rights by possible sharing of the software specifications with another company, perhaps a competitor. This risk is considered a significant drawback to global outsourcing, especially for software producers. It is of lesser importance for end-user companies.

The ease of doing business also depends on where you come from. Sometimes your country can have a poor market image (“A beautiful country for mountainous scenery, but not for having software developed”). Only a few developing nations have already gained market credibility, such as India, which is now well known for its software services. It took many years, but India finally succeeded in establishing an image as a high-quality service provider.

You will have your own distinct language, culture and customs. The European Union is in many aspects a common market but is also a collection of many different cultures and languages. This has an impact on the way business is conducted. It is therefore important for exporters from developing nations to understand the (business) culture in the various European markets. Making software involves a personal element and you will have to sell yourself well. Be aware of these

cultural differences and actively seek to build on them for a positive effect. Coping with this cultural diversity can be a difficult task for managers whose entire experience may be limited to dealing only with people and companies in their own country.

The European Union mainly consists of West European countries. From a cultural point of view, these countries can roughly be divided between a ‘northern’ and a ‘southern’ part, divided by a border which runs across Belgium. But even inside these two parts, cultural differences can be large, for instance in the field of hierarchy. In The Netherlands, hierarchy is not easily visible and people appear to be very friendly. The Dutch are easy-going during business meetings, which always start with informal talk. Often, managers from the developing country’s company are misled by this attitude and wrongly expect a business agreement after having had such a pleasant meeting. Unfortunately, in many cases this will not be the case. Also typical for the business culture in The Netherlands is the long time taken to arrive at a decision. This is because a decision is only taken if all relevant people and departments agree with it. For instance, a general director of an enterprise may be in favour of outsourcing to you because of the cost savings involved. However, if the IT manager has hesitations (perhaps he or she does not like to have all the documentation translated into English), then the deal is over. These cultural factors make doing business extra complicated. “If you can sell to a Dutchman, you can sell to the whole world”, some people say.

In Germany, which also belongs to the ‘northern’ part of Europe, you will find much more hierarchy in companies, and the people are more formal and distant than the Dutch. In meetings, they will get straight down to business. There is much more importance attached to issues of quality and you should be very well prepared on this subject.

In the ‘southern’ countries of Europe, such as France, Italy or Spain, business is hardly possible without good personal contacts. The business culture is less formal and this also means that business decisions can take a longer time.

In all cases, some familiarity with the language and the culture of the country is useful. It is highly recommended to follow a course on how to deal with the specific European (business) cultures. For this reason, it is also recommended that you should be assisted by local staff or be represented by a local company.

2.2 Promotion

2.2.1 Finding clients

One can distinguish various phases in the selection process to find clients: first the 'prospects' should be identified, the European companies that could be your potential clients. There are many ways to identify these firms: through market research, 'cold calling' (via casual meetings, initial telephone calls, sending of E-mail), publicity activities (Public Relations), advertisements, references, through your network building, attending trade fairs and direct marketing. Screen and prioritise these prospects.

There are several sources of information that you can use during this first phase:

- Periodicals (newspapers, business magazines, IT magazines, etc.)
- Personal contacts with business and government circles
- Chambers of Commerce, trade and industry associations
- Internet
- International institutions (see 'Assistance with market entry', paragraph 2.2.3)
- User groups of major software platforms, such as Microsoft, Oracle, Baan etc.

Concentrate on making appointments with the most promising of these contacts. Find out which persons inside these organisations can make decisions (and form the DMU, the Decision Making Unit). In personal conversations, if necessary, you should make them aware of their problem or need, such as their high software development costs, or their possible lack of qualified IT staff. Only then can you offer your solution. Show clearly the customer advantages in your proposals: show understanding of the business and the needs of the prospect and show your own capabilities.

Never be pushy and aggressive, but adopt a long-term approach. People from companies in developing countries are often too eager to close a deal. They forget to spend some time on introductory pleasantries, and instead they start talking about business immediately.

Finding clients is basically a 'numbers game': the larger your number of prospects, the easier it will be to find the first customer. Nevertheless, it is difficult for most companies in developing countries to collect a large number of prospects. Be aware that it can take a long period, sometimes years, before any substantial order can be found.

2.2.2 Trade fairs

When looking for customers, it is always useful to visit specialised trade fairs abroad. It gives you an opportunity to meet people, exchange ideas and open up channels. It also reveals the strengths and weaknesses of both sides. You can study the market and it will lead to a better-prepared participation in a future event. The following hints can be useful for making the best of your visit to an exhibition:

- plan your tour at the trade fair carefully;
- identify your targets: are they potential prospects?;
- study the local offer and try to find out how competitive you are;
- adapt your offers/products if necessary;
- talk to the representatives: a fair is the easiest way of meeting people in person;
- obtain information on the economic and business situation in the country in question;
- study the displays and presentations;
- if possible, get the names of the DMU (Decision Making Unit) and contact them later;
- collect literature and other promotional material;
- make careful notes, otherwise you will soon forget many important facts.

It is also possible for companies to participate in trade fairs with their own stand. Participating in exhibitions is time consuming, expensive and extremely tiring, but can be an useful exercise. However, participation implies a full exposure of your products and services, organisation, staff, and to an extent, also of your country. It should therefore be viewed as a delicate matter which requires thorough consideration and preparation. It is advisable to draw up a list of activities and a timetable, as soon as the decision to participate has been made.

The presentation of the stand should be attractive. However, the success of your participation is not primarily based on the attractiveness of the display, or the amount of literature available at the stand, but on the number of serious business inquiries during the event. In other words, exhibiting is all about selling - and selling from an exhibition requires special skills that can be learned. Check to find specialised courses on trade fair participation.

Business deals will seldom or never be closed at trade fairs. However, it gives you the opportunity to make personal contacts. In many cases, the results will not come directly after your first participation. Visitors might see you, but it will take two, three or more participations to make a lasting impression. A promotional campaign should be started to make as many companies as possible aware of your attendance at the fair. In particular, previous contacts from earlier exhibitions should be reminded of your presence.

Trade fair	Where	When
CEBIT	Hannover, Germany	Annual in February/March
Online Information Show	London, England	Annual in December
Milia	Cannes, France	Annual in February
SIMO TCI	Madrid, Spain	Annual in November
SMAU	Milan, Italy	Annual in April

E-mail is an excellent tool for this. Never forget the follow-up after the trade fair, even though this might be difficult if you are located thousands of kilometres away. An active follow-up of the contacts is the most important factor for success.

Spending your days in a booth at a fair is not easy. Specific preparations or training are needed to make participation in a trade fair a success. It requires special techniques to attract visitors to your stand and to decide quickly if they are worthwhile for you. Time is money, particularly during the fair, and no time should be wasted on a person who is of no interest to your objectives. Qualification and identification is required in order to decide upon the best way of continuing the conversation and the information to be provided. Make sure that the following information about the visitor is discovered before the conversation is continued:

- What is the exact interest in your product or service?
- What is the activity of the company?
- What is the function of the visitor?
- What is his or her authority? Part of the DMU (Decision Making Unit)?
- Name and address information.

After the first contact has been made and the visitor has been qualified as an interesting contact, the exhibitor should present him/herself and the company in a professional way. You have to be able to communicate your USP (Unique Selling Proposition) effectively and make sure you can provide the potential client with relevant information.

The following hints may be helpful to feel comfortable at the show and to facilitate making contacts:

- Wear a business suit;
- Arrive early;
- Speak clearly;
- Restrict talking to colleagues;
- Do not block access to exhibits or the stand;
- Show willingness;
- Pay attention to body language;
- Start conversation with a positive remark;
- Wear a name badge;
- Make notes. The use of a standardised “visitor’s enquiry form” is an efficient way of collecting data. European importers and the buyers for multiple retail chains and buying groups are very well informed and source merchandise all over the world. They travel

extensively to foreign trade fairs and visit exporters’ companies to view products and the production facilities at first hand. The most important trade fairs for the European trade in computer software and IT services are mentioned in the next table (see also EU Market Survey, Appendix 4).

Up-to-date information on trade fairs all over the world can be found on www.expo-database.de which is a website that gives information useful for marketing purposes.

For additional information on trade fair participation, please refer to CBI’s Handbook “Your Show Master - a guide for selection, preparation and participation in trade fairs”.

2.2.3 Assistance with market entry

There are many government institutions, international agencies and non-governmental organisations in Europe assisting companies in developing countries to develop their trade.

Bilateral development co-operation agencies (such as CBI in The Netherlands) now exist in many European countries. They can collect information and sometimes offer the opportunity for companies from a developing nation to present themselves at international exhibitions. In the field of supporting software companies, CBI has for many years played a leading role. Many contacts between software companies in many developing countries and firms from European countries have been made during exhibitions and missions.

Also of importance are the trade promotion organisations which developing countries now have in Europe. They can be an association of companies, or can be semi-government or government supported.

Various organisations within the United Nations system provide technical assistance to developing nations for the development of their trade, such as:

- United Nations Development Programme (UNDP)
 - United Nations Industrial Development Organisation (UNIDO)
 - United Nations Educational, Scientific and Cultural Organisation (UNESCO)
 - International Trade Centre UNCTAD/WTO (ITC)
- Several international programmes are assisting the software industry in developing countries and individual companies. Examples of these are:

The IGEP (Indo-German Export Promotion Project), which is a joint trade promotion programme of the Indian Ministry of Commerce and the German Ministry of Economic Co-operation and Development. It is implemented through the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) to provide support to Indian software companies in establishing contacts with German and European enterprises.

3SE (Software Services Support and Education Centre) has been established by the European Commission in Brussels and the Government of India, to promote the co-operation between the European Union and India in the field of Information Technology. 3SE offers matchmaking services to help European companies find the right partners in India for software services and products, and to distribute European software products in India. It operates from offices in Bangalore (India) and Brussels (Belgium). Check also EU Market Survey, Appendix 6.

2.2.4 Trade press

In Europe, there are very large numbers of weekly and monthly magazines in the field of Information Technology available. Some target a large audience, are rather general, and cover both hardware and software subjects. Other magazines are very specialised which makes them less popular. Each country in Europe has its own magazines, and there are hardly any pan-European general publications.

Advertising gives your company attention, especially if it is done on a regular basis. However, it is in general rather expensive. It is no use starting a publicity campaign if you are not yet represented in Europe. Very costly advertisements should always be avoided.

Free publicity is a much better way of drawing attention to your company. This means you have to try to gain contact with journalists and to have them write an article about your company. Another way is to prepare your own text, and search for IT magazines willing to publish it. These articles should be written in the local European language. Check also EU Market Survey, Appendix 5.

2.2.5 Internet marketing

With the rapid growth of the Internet, having a website is a way of making direct contact with potential customers in Europe. Your website must be known to prospects, which means it should be mentioned in all your brochures and letters. It must be registered at the various Internet search engines as well. You can also use the Internet actively for finding potential customers. Use the Internet search engines to find the websites of European companies. These sites might give you relevant information, such as if there are vacancies for IT staff. Use the E-mail address on their website to ask for more information and to offer your services.

3 MARKETING GUIDELINES

This Chapter offers a “Business Guide” or a set of checklists for exporters wishing to engage in exporting Computer Software & IT Services to the European market. The Business Guide aims to facilitate exporters in formulating their own market and product strategy, through a methodology of analysis and questionnaire completion.

This Business Guide consists of three parts:

1. Product profiles, in which a selection of products will be highlighted.
2. A market opportunity analysis to determine the most suitable target market(s) and the most appropriate sales channel(s) for your company’s range of computer software and/or IT services

Market opportunity analysis:

1. Country evaluation
2. Sales channel assessment
3. Company assessment
4. Supply and demand comparison

3. A checklist for building up a business relationship

Building up a business relationship:

1. Reviewing the products and the product range
2. Identifying a suitable trading partner
3. Drawing up an offer
4. Handling the contract
5. Sales promotion

For (statistical) market information on consumption, production and trade, and information on trade structure and prices and margins, which is required for the ready-to-fill in frameworks in the “Business Guide”, please refer to the CBI EU Market Survey “Computer Software and IT Services”. This EU Market Survey also includes contact details of importers, trade associations, and other relevant organisations.

3.1 Product profiles

Below, we give a structure for setting up a product profile. As an example, we took a Computer Software product, (CRM), a DBA and an Application Service Provider, but you are free to make your own product profile that shows the specifics of your product.

Product Profile CRM		
1. Product name: Customer Relationship Management Solution		
2. Market requirements: <u>European quality standards:</u> ISO 9000 and ISO 15504 <u>Dimensions:</u> Specify in a table which functionality areas are covered (e.g. marketing, relationship management, sales, service, other), per area the dimensions and restrictions in the functionality. Also specify relations of the product with hard- and software platforms (operating systems, network architecture etc.) and other software the CRM solution can communicate with (e.g. ERP software, business intelligence programmes, product configurators) <u>Size:</u> Specify the size in a table, in a minimum and maximum number of users, amount of sites and purchase costs related to the modules and the amount of current or named users.	3. Market structure: <u>Average prices: (retail)</u> Due to the fact that there are many solutions and there are per solution many variations in price (different sets of modules, different ranges of users, multi-site environments) we refer to the Internet sites of the different CRM suppliers for current price information. Dutch software houses are mentioned in appendix 9. A useful site is http://crm.pagina.nl , which is in Dutch but readable because of all the English terminology. It will give you a lot of international links to CRM portals. <u>Main markets:</u> The main EU markets for Computer Software and IT services are Germany and the UK. See chapter 3 of the market survey Computer Software and IT Services for overviews. Specify per country the market size, based on relevant segments in the markets. <u>Market trends:</u> Specify for the particular market and market segmentations history and trends in size, demands, successful solutions and distribution, prices, technology, etc.	4. Main suppliers: Specify the operating competitors in the relevant market segments. Take a special interest in successful new arrivals in the market. East European developers are emerging in software development.
5. How to improve the quality: <u>CRM implementations:</u> Special emphasis should be given to selecting high standard implementation partners, and the communication with them.		

Product Profile DBA

1. Software specialist: Oracle/Progress DataBase Administrator (DBA)

2. Market requirements:

Skills

Example: A completed study in computer information technology on an academic level. Oracle 8 Database administration, Oracle 8 Network Administration, Oracle 8 Backup and Recovery, Oracle 8 Performance Tuning certifications. Any additional knowledge of other relational databases in these areas would be distinctly advantageous to your application. Working language English.

Experience

Professionally a minimum of :
3 years Oracle DBA
1 years Progress DBA
1 years SQL/2000 DBA
2 years NT/Windows2000
2 years Unix/Solaris 8/9

Main duties

Installations and optimisation of Oracle 8/9, Progress 8/9, SQL2000 DBMS
Maintenance of Oracle 8/9, Progress 8/9, SQL2000 DBMS
Overseeing the error log file
Involvement in internal and external technical decisions
Troubleshooting
Helpdesk registration
Maintenance of all capacity issues.
Reporting in Oracle/Progress/SQL
Release management

3. Market structure:

Average prices:

Due to the fact that there are many different persons with different skills and that lately the market for ICT professionals has been quite restless, one can refer to the different recruitment agencies for current price information.

Main markets:

The main EU markets for Computer Software and IT services are Germany and the UK. See chapter 3 of the Computer Software and IT Services survey for overviews. Specify per country the market size, based on relevant segments in the markets.

Market trends:

Specify for the particular market and market segmentations history and trends in size, demands, successful solutions and distribution, prices, technology, etc.

4. Main suppliers:

Specify the operating competitors in the relevant market segments. Take a special interest in successful new arrivals in the market.

5. How to improve customer satisfaction:

Communications skills are vital for success. Taking initiatives, thinking with the client. Let the client know when you simply cannot respond to his demands!

Product Profile ASP

3. Product name: Application, web-published (Application ServiceProviding, ASP)

2. Market requirements:

Quality of Service, based on a Service Level Agreement. Security included.

Dimensions:

Specified in the Service Level Agreement which functionality areas are covered by the application (e.g. marketing, relationship management, production planning, e-commerce, other), per area the dimensions and restrictions in the functionality. Also specify relations of the application with other software, hardware and devices (operating systems, network architecture, printers etc.) with which the application has to communicate. Specify in the Service Level Agreement the provided up-time, security and back-up services, help-desk services, problem solving standards, data processing speed and other services agreed upon with the customer.

Performance

Specify the restrictions in performances of the published application, related to a maximum number of users, amount of sites, the available communication means, back-up systems, processing capacities and other. Relate to prices, e.g. per month.

3. Market structure:

Average prices: (retail)

Due to the fact that there are many applications and there are per solution many variations in price (different sets of modules, different ranges of users, multi site environments) we refer to the Internet sites of the different software suppliers and ASPs for current price information. Dutch software houses are mentioned in appendix 9.

Main markets:

The main EU markets for Computer Software and IT services are Germany and the UK. See chapter 3 of the Computer Software and IT Services survey for overviews. Specify per country the market size, based on relevant segments in the markets.

Market trends:

Specify for the particular market and market segmentations history and trends in size, demands, successful solutions and distribution, prices, technology, etc.

4. Main suppliers:

Specify the operating competitors in the relevant market segments. Take a special interest in successful new arrivals in the market. In Application Service Providing especially The Nordic countries are ahead of the rest of Western Europe.

5. How to improve customer satisfaction:

Security, availability, customer service and overall reliability are key points in the search for a high quality of service level.

3.2 Market analysis

In this section, a market opportunity analysis is conducted through a methodology of ready-to-fill-in frameworks. The analysis consists of four parts:

- 1. Country evaluation**, to identify suitable countries and markets for selling computer software and IT services.
- 2. Sales channel assessment**, to estimate the requirements of potential sales channels in respect to product standards, logistics and marketing.
- 3. Company assessment**, to assess your company's performance in respect to product standards, logistics and marketing.
- 4. Supply and demand comparison**, to compare the requirements of the sales channels with your own company performance, in order to identify the most suitable sales channel(s).

The basic questions a future exporter has to ask himself are:

- Is there a market for my products?
- Can I reach this market?
- Can I offer my product at an acceptable and competitive price?

3.2.1 Country evaluation

The country evaluation helps to quickly determine particularly attractive markets. Exporters can complete the ready-to-fill-in framework for each country to which they intend to export. Markets are assessed on five criteria:

1. Market potential
 2. Product standards
 3. Trade situation
 4. Export conditions
 5. Exporting experience
- There are three possible answers to each question, which are awarded 1, 2 or 3 points each. If there is no exact answer to a question, it should always be awarded 2 points, to avoid distorting the statistics of the overall results.
 - The points awarded for each criterion and the total points awarded are entered in a table for the final results.
 - The total points awarded give a ranking for the markets analysed (top ranking for the country with the highest number of points, etc.).
 - Finally, the markets can be evaluated relatively (ranking) and absolutely (each market individually), in order to assess the opportunities and constraints within each market.

Subject evaluated	points
1 Market potential	
1.1 What is the estimated market size for Computer Software and IT Services?	
<input type="checkbox"/> large (3 pts.)	<input type="checkbox"/> average (2 pts.)
<input type="checkbox"/> small (1 pt.)	—
1.2 How has the market volume developed during the last 3-5 years?	
<input type="checkbox"/> grown (3 pts.)	<input type="checkbox"/> unchanged (2 pts.)
<input type="checkbox"/> declined (1 pt.)	—
1.3 How have imports of Computer Software and IT Services developed during the last 3-5 years?	
<input type="checkbox"/> grown (3 pts.)	<input type="checkbox"/> unchanged (2 pts.)
<input type="checkbox"/> declined (1 pt.)	—
Evaluation of the market for Computer Software & IT Services	
<hr/>	
2 Product standards	
2.1 What standards are set on the quality of Computer Software and IT Services?	
<input type="checkbox"/> low standards (10 pts.)	<input type="checkbox"/> medium (7 pts.)
<input type="checkbox"/> high standards (5 pt.)	—
2.2 To what degree are regulations in force?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	—
2.3 How high are the standards demanded on delivery methods?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	—
2.4 How high is the demand on environmentally sound production methods ?	
<input type="checkbox"/> low (3 pts.)	<input type="checkbox"/> medium (2 pts.)
<input type="checkbox"/> high (1 pt.)	—
Evaluation of product standards	
<hr/>	
<i>continued</i>	

continue

3 Trade situation

3.1 How high is the demand for new suppliers?

large (3 pts.) average (2 pts.) small (1 pt.) —

3.2 How many producers (sellers) are there in the country (or group of countries) concerned?

few (3 pts.) average (2 pts.) many (1 pt.) —

3.3 What is the average price level for products in Computer Software and IT Services?

high (3 pts.) medium (2 pts.) low (1 pt.) —

3.4 Is there a clear trade structure allowing for easy identification of trade partners?

very clear (3 pts.) rather clear (2 pts.) not at all (1 pt.)

Evaluation of the trade situation

4 Export conditions

4.1 Are there import restrictions that limit sales opportunities?

none (3 pts.) few (2 pts.) many (1 pt.) —

4.2 To what degree is the domestic industry subsidised?

not at all (3 pts.) somewhat (2 pts.) strongly (1 pt.)

4.3 Can I reach the market easily?

competitive (3 pts.) possible (2 pts.) difficult & expensive (1 pt.) —

Evaluation of export conditions

5 Exporting experience (of potential exporter)

5.1 What is the level of information available about this market?

high (3 pts.) average (2 pts.) low (1 pt.) —

5.2 Do (or did) trade relations exist with the country concerned?

yes, at present (3 pts.) yes, in the past (2 pts.) no, never (1 pt.) —

5.3 Is language a problem?

not at all (3 pts.) somewhat (2 pts.) very much (1 pt.) —

5.4 Is the quality of information on the Internet sufficient?

yes (3 pts.) simple (2 pts.) poor (1 pt.) —

Evaluation of exporting experience

Total evaluation of the individual market

points	appraisal
--------	-----------

18-34	Either there are certain difficulties in trading with these markets or countries, or their attraction rating is underaverage. Examine individual cases to see whether special circumstances might have a positive effect on trade with some markets or countries.
35-44	These markets or countries have an average attraction for trade. Examine individual low-rating criteria to see whether, in special cases, they might have a decisive influence on building up a trading link.
> 45	These markets or countries are highly attractive. Building up or expanding trade relations could prove to be worthwhile.

3.2.2 Sales channel assessment

After evaluating the prospective countries and markets, the particular sales channels within these markets must be assessed. After assessment of the performance of your own company (next section), comparison of the requirements of the sales channels with your company's performance will enable you to identify the most suitable sales channel(s) (3.2.4). Each sales channel is appraised on three criteria:

1. Product standards
2. Logistics
3. Marketing

The final evaluation of the sales channels takes place after the evaluation of your own company performance.

1 Product standards			
<hr/>			
1.1 What quality standards does this sales channel demand?			
<input type="checkbox"/> low	<input type="checkbox"/> average	<input type="checkbox"/> high	
1.2 What service level does this sales channel demand?			
<input type="checkbox"/> no specific	<input type="checkbox"/> standard level	<input type="checkbox"/> high level	
1.3 What skills does this channel demand?			
<input type="checkbox"/> not specific	<input type="checkbox"/> specific skills:		
1.4 What are the requirements of this sales channel regarding production techniques and certification?			
<input type="checkbox"/> no special requirements	<input type="checkbox"/> country-specific	<input type="checkbox"/> product-specific	
<input type="checkbox"/> requirements	<input type="checkbox"/> regulations	<input type="checkbox"/> certification	
1.5 What product groups does this sales channel demand?			
<input type="checkbox"/> no specific requirements			
<input type="checkbox"/> specific requirements:			
	not required	required	products required:
CRM	<input type="checkbox"/>	<input type="checkbox"/>
ERP	<input type="checkbox"/>	<input type="checkbox"/>
e-Security	<input type="checkbox"/>	<input type="checkbox"/>
WMS	<input type="checkbox"/>	<input type="checkbox"/>
e-Learning	<input type="checkbox"/>	<input type="checkbox"/>
etc.			
<hr/>			
2 Logistics			
<hr/>			
2.1 How often does this sales channel normally require deliveries?			
<input type="checkbox"/> seldom	<input type="checkbox"/> average	<input type="checkbox"/> often	
<input type="checkbox"/> (once a year)	<input type="checkbox"/> (once per quarter)	<input type="checkbox"/> (more than once per quarter)	
2.2 What delivery times per order does this sales channel normally require?			
<input type="checkbox"/> none specific	<input type="checkbox"/> Short delivery times		
	<input type="checkbox"/> Average delivery times		
	<input type="checkbox"/> Guaranteed delivery times		
	<input type="checkbox"/> etc.		
<hr/>			
3 Marketing			
<hr/>			
3.1 Where do negotiations for this sales channel take place?			
<input type="checkbox"/> in the producer	<input type="checkbox"/> in a third country:	<input type="checkbox"/> in the country of destination	
<input type="checkbox"/> country	<input type="checkbox"/>		
3.2 Which persons influence business contacts in this sales channel?			
<input type="checkbox"/> head of company/ general buyer	<input type="checkbox"/> product group buyer	<input type="checkbox"/> sales manager	<input type="checkbox"/> marketing manager
<i>continued</i>			

continue

2 Logistics

2.1 How often are you able to deliver?

- seldom average often
 once a year (once per quarter) (more than once per quarter)

2.2 What delivery times per order can you normally achieve?

- none specific Short delivery times
 Average delivery times
 Guaranteed delivery times
etc.

3 Marketing

3.1 Where do you hold your sales negotiations?

- in the producer in a third country: in the country of destination
 country

3.2 Which persons do you know who influence business contacts?

- head of company/ product group sales marketing
general buyer buyer manager manager

3.3 How often do you visit your customers personally?

- seldom once a year more than once a year

3.4 What cycles of delivery apply to your products?

- none seasonal emphasis equally distributed throughout
the year

3.5 What quantity do you generally produce?

- | | | | |
|------|--------------------------|----------------------|----------------------|
| | not produced | lowest quantity | normal quantity |
| CRM | <input type="checkbox"/> | Euro per order | Euro per order |
| ERP | <input type="checkbox"/> | Euro per order | Euro per order |
| Etc. | <input type="checkbox"/> | Euro per order | Euro per order |

3.6 What sales support material is available for your product?

- none price list sales campaign brochure
brochure

3.7 What promotional material is available for the further sale of the products?

- none product information (product sheets, dimensions, etc.)
 product samples
 company brochure
 other:

3.8 What is my financial availability for meeting the proposed terms of payment?

- good acceptable insufficient

3.9 Which are my usual methods of payment? (see Section 2.1.2)

- letter of credit document other:
against payment

3.2.4 Determining the most suitable sales channel(s) and opportunities for strategic alliances

Using the checklists in the previous sections, you can now compare the corresponding checklists of the sales channel assessment and the company assessment, so as to identify the most suitable sales channel(s) for your products.

- Use the table below to record the number of answers for each sales channel which agree with one another and those that do not.
- The sum of corresponding and non-corresponding answers show which sales channel is the most suitable. Non-corresponding answers represent problems that must be solved, before you can sell your products through a particular sales channel.

	Conditions agree	Conditions disagree
1 Product / service standards		
1.1 Quality standards	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Service level standards	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Skills	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Production techniques	<input type="checkbox"/>	<input type="checkbox"/>
1.5 Product range	<input type="checkbox"/>	<input type="checkbox"/>
2 Logistics		
2.1 Delivery frequencies	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Formalities	<input type="checkbox"/>	<input type="checkbox"/>
3 Marketing		
3.1 Place of negotiations	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Decision-makers	<input type="checkbox"/>	<input type="checkbox"/>
3.3 Frequency of visits	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Delivery cycles	<input type="checkbox"/>	<input type="checkbox"/>
3.5 Quantities required	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Sales support material	<input type="checkbox"/>	<input type="checkbox"/>
3.7 Sales support material for further sale	<input type="checkbox"/>	<input type="checkbox"/>
3.8 Guarantee	<input type="checkbox"/>	<input type="checkbox"/>
3.9 Payment terms	<input type="checkbox"/>	<input type="checkbox"/>
	Conditions agree	Conditions disagree
Number of answers

3.2.5 Assessing the competition

Computer software and IT services are products that are increasingly produced all over the world according to specifications demanded by the customers, and often complying with ISO or other standards mentioned. But the most important quality and server level standards are set by the customer, for his specific need. Being a service sector, the computer software and IT services market demands a high standard in meeting those needs. Being competitive means in this case primarily being able to assess the customer needs and finding better fitting solutions for them than your competitors do.

Entering the European computer software and IT service market is possible, but it is not easy. As already discussed in paragraph 2.2, Constraints. The proof that it is not impossible comes from East European countries. There are quite a few emerging computer software and IT services suppliers who offer their services to prospects in the EU. At the same time the East European computer software and IT services

market itself is growing rapidly, making it into an opportunity for exporters from developing countries. A third way to look at the upcoming of Eastern Europe (besides as competition and as a market opportunity) is shown by Tata International from India, who are outsourcing work to Hungary. The step to enter the German market proves smaller from Hungary than from India, while costs are lower than outsourcing the work to EU companies. To take a closer look at the East European markets as targets for your sales and marketing activities, the EITO 2002 survey can be recommended. We will give a short view of the situation of the computer software and IT service suppliers from Eastern Europe.

As the Central and East European ICT market matures and shifts away from a hardware-specific focus, demand for IT services is growing strongly in the region itself. Not unimportant is the fact that they are stimulated by a growing homemarket. In 2001, the IT services market generated € 2.3 billion in revenue, representing 7.4 % of regional ICT spending. The type of service in demand varies by country. The CEE IT services market is anticipated to reach an overall value of € 2.6 billion in 2002. The CEE IT services market can be classified as a two-tier structure, based on spending trends and technology foci. In the first tier are markets such as the Czech Republic, Hungary, Slovakia and the Baltic States; in the second tier are Slovenia, Bulgaria and Romania.

The major characteristics of the regions IT services market can be summarised as follows:

- The first-tier countries are shifting from hardware-centric to services-centric business models (increasing installed base, quest to streamline information management). The spending patterns in these markets have started to mirror patterns exhibited in West European markets. System services (such as integration services, network and desktop management services, IT consulting, custom application development and various forms of outsourcing services) represent more than 48 % of total IT services expenditure.
- The second-tier markets remain hardware-centric, with the highest level of activity concentrated on basic IT infrastructure development (requiring installation services, and hardware/software support activities).

In the past year, there has been considerable growth in all segments of outsourcing (network and desktop management, processing services, business process, information system and application outsourcing). In the first-tier markets, notably in Hungary and the Czech Republic, spending on outsourcing now accounts for approximately 11 % of total IT services revenue.

The larger markets are adopting outsourcing for strategic and cost-cutting reasons. Demand for IT services related to E-market-place, E-procurement and E-commerce is developing at varying rates across the CEE region. Spending on IT training and education varies widely in the region, accounting for approximately 4 % of total IT service spending. The most important indirect driver of spending in this segment is the economic environment. Other factors include the adoption of more complex packaged applications, the establishment of multinationals in the region, training local staff to meet international standards and the acceptance by regional business and public leaders that IT training and education is a worthwhile investment. The next few years will see greater demand for security services, data recovery services and mobile telephony services.

These aspects give you an idea of what opportunities are being picked up by your competitors. To be able to prepare your entrance to the selected market segment of your choice, some questions should be answered:

1. who is the competition on the markets that you want to enter;
2. how strong are these companies (and supporting country policy);
3. what is the focus of these companies, do you know their strategies;
4. what is their market share and their specialisation;
5. what are the core capabilities of the competition;
6. what are the weak spots of the competition (products, production, logistics, marketing, see 3.2.3);
7. what is their spare capacity and if they have relevant over capacity, what are they doing with that (e.g. price dumping);
8. what is their cost price (operational cost);
9. in what way does your offer (product range and services, but also logistics and marketing) have the ability to compete with the market leaders.

If this investigation gave you enough positive signs, you can move forward in making a business plan for your target market. If this is not the case, you should stop your efforts in this market and find yourself another market or try to find a partner with whom to join forces.

3.3 Building up a business relationship

The Business Guide for building up a trading link consists of five sections:

1. Reviewing the services/products and the product range:

- (a) specifying range, width and depth;
- (b) specifying the product characteristics;

2. Identifying a suitable trading partner:

- (a) filling out a contact exchange form; and
- (b) evaluating the information.

3. Drawing up an offer:

- (a) drawing up a general offer;
- (b) drawing up a specific offer; and
- (c) general remarks.

4. Handling the contract:

- (a) contract terms; and
- (b) contract fulfilment.

5. Sales promotion:

- (a) advertising and communication;
- (b) sales organisation; and
- (c) participation in trade fairs
- (d) Internet.

3.3.1 Reviewing the products and the product range

(a) Specifying range, width and depth

Definition

A product range consists of several product groups (range width), each with several different products (range depth). *One product* can consist of *several varieties*, depending on material, size, quality, etc.

Example: Business software

- A product range consists of software used by companies (range width).
- The products for sale are software packages for consumer relationship management, enterprise resources management and warehouse management. (range depth)

Reasoning

A supplier can only select a suitable business partner if he/she knows exactly what range he/she can offer. A precise review of the product range, therefore, aims at identifying the most suitable candidate(s) out of the many potential customers.

(b) Specifying the product characteristics

Enter in the following list all products you produce, together with their varieties. Furthermore, state their size, the period in which you are able to supply and the packaging method:

Product	Variety/treatment	Supply period	Packaging	Availability

Special remarks:

- The reviews must enable potential customers to make an appraisal of your complete product range.
- The reviews must therefore always be kept up-to-date.
- The products and the range should be flexible so that adjustments and changes can be made, if the need arises.

3.3.2 Identifying a suitable trading partner

Definition

Among the many potential customers, you must identify those who match your own company profile and product range and are therefore potentially most suited for building up a trading link. Contacting sources of information (a) and Evaluating the information (b) are important issues.

Check your potential buyers' financial status, credibility.

At the end of the identification phase, the supplier should have selected the names and addresses of suitable trading partners.

(a) Contacting one or more sources of information

In the producer country:

- The foreign-trade chamber of commerce of the country of destination.
- The Economic Affairs departments of the official representative (Embassy or Consulate) of the country of destination.

In the country of destination:

- Trade promotion organisation
- Trade associations
- Your own country's public and private trade promotion bodies
- Your own country's diplomatic and consular representatives
- Chambers of Commerce
- Trade fair organisers (catalogues)

Points of attention:

- Many sources of information only answer written inquiries!
- As a general rule: a concise but detailed inquiry improves the chances of precise identification.

(b) Evaluating the information

Evaluate the names and addresses you receive, using the following criteria:

- Is the information complete?
 - full address;
 - telephone and fax number, e-mail;
 - name of the person to contact.
- Is the importer active in the country you have selected?
- Does the importer focus his activities on the corresponding product groups?
- Do you have enough sound information about the reliability of this partner?

Using these criteria, draw up a priority list of the contact addresses you have received.

3.3.3 Drawing up an offer

There are two different kinds of offers:

1. a general offer (a)
2. a specific offer (b)

General remarks (c) are also outlined.

(a) Drawing up a general offer

- The purpose of a general offer is to make the first contact with potential trading partners with whom the supplier is not yet personally acquainted.
- A general offer consists of sending a short profile of your own company and a summary of your product range.
- In a personal letter, briefly introduce your company and tell what you have to offer.

(b) Drawing up a specific offer

A specific offer is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of contract. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

When sending a specific offer, it should consist of three parts:

(1) written offer:

- Name of the person responsible in your company;
- Need of the customer and your solution to that need;
- Exact description of the goods offered (preferably using an internationally valid quality standard specification);
- Price of the goods offered in accordance with

the Incoterms 2000 (ICC publication; if applicable, split up by delivery quantities or quality); and

- Possible delivery date and terms of delivery.

(2) product samples:

- Product samples or references of given services must correspond to the goods available for delivery (if they do not, this can have a lasting negative effect on business relations);
- State the treatment methods used (if possible, provide quality certificates from an internationally recognised inspection organisation);

(3) commercial information:

- a profile of your company including a statement of your policy also in respect to the quality;
- and send a reference list of existing customers.

(c) General remarks

Recommendable action for both kinds of offer:

- A telephone call to ask whether the offer (and the samples, if applicable) has/have arrived.
- An invitation to visit your company.
- A visit to the customer. In that case:
 - If necessary, hire an interpreter.
 - Ask your own consulate or other intermediaries for assistance.

3.3.4 Handling the contract

When handling the contract, you should consider the terms and the fulfilment:

(a) Contract terms:

- Conclude the delivery conditions according to international guidelines (e.g. Incoterms 2000)
- When delivering for the first time, it is usual to deliver the goods free on commission and freight-paid.

(b) Contract fulfilment:

- Procure the delivery documents in good time.
- Comply strictly with all parts of the supply agreement.
- If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time, ask if he is prepared to accept this unforeseen deviation.
- Co-operate on a partnership basis and seek a common solution even if conflicts arise.
- Fulfilling the contract should have a high priority, particularly when delivering for the first time.

3.3.5 Sales promotion

Sales promotion measures relate to developing and expanding the following:

- customer relations;
- supply quantities.

Developing customer relations:

- Take good care of existing customers. This includes for example expressions of thanks to business partners, regular information on the product range, etc.
- Brochures on your company and the product range can be useful for promoting sales.
- Ask existing customers for letters of reference. Such recommendations are particularly important when approaching new initial contacts.
- Give your customer the possibility to track the status of his order via the Internet (password guarded).

Expanding supply quantities:

- In some cases, you may be able to increase supply quantities to existing customers.
- The product range should be guided by the demand. Changes to the product range may become necessary.
- If you can increase the present quantities produced, you could look for new sales outlets.
- You can use your existing export experience to trade with other importing countries.
- Always answer a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him if/when the supply situation changes.

Below, Advertising an communication (a), Sales organisation (b), Participation in trade fairs (c) and Internet (d) are highlighted.

(a) Advertising and communication

Definition

Advertising refers to communication measures with the aim of increasing the sales of your products. The prerequisites for successful communication measures are:

A clearly defined target group → “Who buys (do I want to buy) my products?”

A well-formulated → “What do I want to tell the message customer?”
→ “How do I want to tell him that?”

Costs and dispersion losses

Two parameters are used to measure the costs of any communication measure:

Cost per contact → “How much does it cost to convey the message to one target company/person?”

Total costs → “How much does the whole campaign cost?”

It must be borne in mind that not all messages sent actually reach the addressees (target persons). The costs for messages that do not reach the right addressee are called dispersion losses.

Due to search engines importers find it favourable to use the Internet if they are looking for new producers in a certain region. If you use the Internet be sure that the regular search engines they use will find your side.

Recommendations

It is advisable to commence with communication measures, which only require a small amount of planning and co-ordination, such as revising the company's standard printed matter:

- Standardise all printed paper used outside the company (letterheads, visiting cards, fax form, etc.).
- Prepare long-term sales documentation (company brochure, product range reviews, etc.).
- Prepare product-specific sales folders.

If your company has an Internet site, you can make sales documentation and folders available electronically. By making sales documentation available electronically,

you can reduce the amount of printed documentation you need to send, as well as the related costs.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with a customer.

(b) Sales organisation

The term "sales organisation" refers to the organisational system that carries out the sales of the company's products and pursues quality control. A sales organisation usually consists of office personnel and a field force.

Organising sales

Business with partners overseas is often concluded on the telephone, by fax or by e-mail. A well-functioning sales department is therefore an absolute prerequisite for successful market participation.

- The essential tool used in the sales department is a detailed and up-to-date customer database. The customer data base contains the following information:

Measures	Criteria	Target group	Amount of planning and Co-ordination	Cost per contact	Total costs	Dispersion losses
Standard printed matter (letterheads etc.)		Existing customers	+	+	+	+
Telephone and mailing campaigns		Existing and potential customers (known by name)	++	++	++	+
Advertising in trade journals		Existing and potential customers (partly unknown)	++	++	++	++
Promotion through an Internet site		Existing and potential customers (partly unknown)	+++	+	++	+

+++ = high ++ = medium + = low

Office personnel	Field force
<ul style="list-style-type: none"> • Handling correspondence • Handling offers and orders • Issuing forwarding instructions • Issuing and checking invoices • Controlling schedules • Keeping customer records • Expediting product samples • Keeping sales statistics • Evaluating markets • Dispatching goods • QUALITY CONTROL 	<ul style="list-style-type: none"> • Selling • Visiting customers • Presenting new products • Discussing and implementing campaigns • Discussing listings • Holding yearly reviews with customers • Implementing selling prices

→ Basic data on the customer (e.g. long-term data such as name, address, telephone number, e-mail, etc.);

→ Changing data on the customer (data resulting from business with the customer such as telephone calls, offers, sales statistics, news on his site etc.).

- The customer database gives a sales person a quick review of the most important customer data when planning to contact the customer whether by telephone, fax or e-mail.
- If possible, the customer database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer data should be kept on file cards (see next samples).

(c) Participation in trade fairs

As mentioned before, participation in national and international trade fairs can be a useful sales promotion tool in the trade of Computer Software and IT Services. This aspect requires comprehensive and detailed examination because of its complex nature, comprising:

- selection of a suitable trade fair and preparations for participation;
- participation;
- follow-up.

Trade fairs, in the same way as a promotion campaign, need thorough preparation, viz.:

Before the trade fair:

- up-date your customer files
- prepare all documentation (business cards, company brochures, product range, etc.)
- make a preparatory mailing, informing your present and potential customers of your booth number and inviting them to visit you in the booth and/or propose to visit them (i.e. the existing clients).

During the trade fair:

- register all contacts

After the trade fair:

- enter all your contacts in a database
- answer the contacts to thank them for their visit and send the information (product specifications, trade-offer, samples, etc.) you promised
- you can make a second mailing several months after the first one, to remind your contact that you are at his disposal to answer any inquiry.

Trade Promotion Organisations in the European Union can be of help in providing information about relevant trade fairs. They can also advise and/or assist the exporter with participation in a trade fair.

For more information about this subject, please refer to Section 2.2.1.

(d) Internet

Internet is generally considered to have many opportunities as a new means of communication between people and organisations.

The advantages of the Internet are:

- low cost of communication
- fast delivery
- independence of distance and timeline
- hardly any limits in size
- multimedia possibilities
- search engines to select your company, your products and specials
- etc.

Besides one-to-one communication, Internet offers opportunities for presentation, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/industries in overseas countries, you can advertise for (new) clients on your Internet site, showing your product line and indicating the conditions. A good Internet site can present your company to every potential client in any country with access to the Internet. You must realise, however, that

(Sample 1)

Customer Data Sheet

Company:

Company: Customer No.:
Street: Customer class *: A B C
P.O. Box: First contact date: ___/___/___
Postal code: Sales person:
Town: Customer type:
Country: (agent, importer, manufacturer)
Tel.: Sales last year:
Fax: Sales planned this year:
E-mail: Method of payment:
Internet: Delivery conditions:
Bank: Remarks:
Bank address:
Account No:

Business partners:

1 Title: First name: Name:
Function: Tel.: Fax: E-mail:

2 Title: First name: Name:
Function: Tel.: Fax: E-mail:

3 Title: First name: Name:
Function: Tel.: Fax: E-mail:

4 Title: First name: Name:
Function: Tel.: Fax: E-mail:

* Classify customers by importance to your company (sales, quality of relation, etc).

(Sample 2)

Customer contact record

Date	Contact person	Topic / Offer	Contract

your organisation must be thoroughly prepared to receive inquiries and requests from all over the world.

To find the right site offering the right product is very time-consuming. Internet users are increasingly looking for sites that offer a line of products around a certain theme or area of interest. Consequently, unlike traditional marketing, export marketing through Internet should focus on themes or areas of interest. As stated before it is necessary to present your organisation's name at several search engines on the Internet.

When using Internet you will have to look at complementary products and products fulfilling the same demands. Internet sites of Standard Organisations and Trade Associations (see respectively Appendix 2 and 4 of CBI's EU Market Survey "Castings and Forgings") provide good information on guidelines, services, news and events.

If you include links to other interesting sites on your site to other interesting places on the Internet, your site might add value as well. If other sites put a link to your site, you will also attract more visitors.

As each customer decides by himself where he browses at the Internet, it is important to address him personally. Internet offers many opportunities to personalise your offer. You need to keep in mind that Internet is a 'pull medium' so you have to attract the customer to your site

with a good offer. The visitor will choose his own way in the structure of your site. Therefore, you have to facilitate this through easy access to your message, by adding the most important issues to your homepage and providing easy-to-use search engines, good keywords for your database selections and a fast but attractive layout. By adding 'cookies' (small software tools that register and recognise a customer when he comes back) you can give your customer a personal welcome.

Besides the Internet, there are other electronic media which can be used in export marketing such as video, CD-ROM and diskette. In the box below, an overview of the value of a number of carriers is presented. For further information about electronic media in export marketing, please refer to the CBI News Bulletin No. 263 of March 1999. Information on setting up an Internet site can be found in the CBI Bulletins No, 273, 274, 275 and 276 issued in 2000.

Value Carrier	Multi-media	Interactivity	Multi-lingual	Capacity	Compatibility	Penetration of market	Price
Diskette	++	++	++	--	+	++	+
Video	-	v	--	+	--	++	0
CD-rom	++	++	++	+	++	+	-
DVD	++	++	++	++	-	--	--
Hard disc	++	++	++	++	++	++	0
Internet	+	++	++	++	++	+	+

DVD: Digital Versatile Disc
 ++ very good; + good; 0 reasonable; - average; -- poor
 Source: CBI News Bulletin, No. 263, March 1999

APPENDIX: EXAMPLE QUESTIONNAIRE IMPORTER

To be filled in by Management Team; Sales executive of the exporting company

1. General Information

1.1. Addresses and communication

Name of company:

Office address:

Postal address:

Country:

Telephone no. :

Telefax no. :

E-mail address:

Internet site:

V.A.T. no. :

Number of employees:

1.2 Contact persons in your company:

Sales director Name:

Direct E-mail address :

Direct tel. no. :

Direct fax. no. :

Sales manager Name:

Direct E-mail address :

Direct tel. no. :

Direct fax. no. :

Financial manager Name:

Direct E-mail address :

Direct tel. no. :

Direct fax. no. :

QA-QC manager Name:

Direct E-mail address :

Direct tel. no. :

Direct fax. no. :

continued

continue

1.3 Company Structure

Please specify if you are a member of a group, holding company, etc.:

.....

1.4 Company Type

Please indicate type of your company, such as:

- Producer/supplier
- Importer
- Agent
- Additional processing company

If you are an agent, please indicate the relevant manufacturer(s) you represent:

1.
2.
3.

2. Delivery / Production Programme

Please indicate your product/service range:

Products/Services

1.
2.
3.
4.

3. Quality Assurance / Quality Control

3.1

Do you have a quality assurance system as per ISO 9000 and ISO 15504 which has been assessed by a notified body

- Yes
- No
- Date of latest assessment:

3.2

Please specify your service / product approvals, if any:

Comments:.....
.....

continued

continue

4. Authorization

4.1.

Comments of vendor:.....
.....

4.2

Required documentation:

- Copies of certificates of approval, see 4
- Company brochure
- Delivery / production programme
- Financial annual report

Test reports (please mark if sent with this document)

4.3

This questionnaire has been completed by:

Name: Position:

Signature: Date :

CBI: YOUR EUROPEAN PARTNER FOR THE EUROPEAN MARKET

The CBI (Centre for the Promotion of Imports from developing countries) is an agency of the Dutch Ministry of Foreign Affairs. The CBI was established in 1971. The CBI's mission is to contribute to the economic development of developing countries by strengthening the competitiveness of companies from these countries on the EU market. The CBI considers social values and compliance with the most relevant environmental requirements to be an integral part of its policy and activities.

CBI offers various programmes and services to its target groups:

Market information

A wide variety of tools to keep exporters and Business Support Organisations (BSOs) in developing countries in step with the very latest development on the EU market.

These include market surveys and strategic marketing guides for more than 40 product groups, manuals on export planning and other topics, fashion and interior forecasts and the CBI News Bulletin, a bi-monthly magazine. This information can also be obtained from our website at www.cbi.nl For all information on non-tariff trade barriers in the EU CBI has a special database, AccessGuide, at www.cbi.nl/accessguide

And finally CBI's Business Centre is offering free office facilities, including telephones, computers, internet and copiers for eligible exporters and BSOs. Market reports, international trade magazines, cd-roms and much more can be consulted in the information section of the business centre.

Company matching

The company matching programme links well-versed suppliers in developing countries to reliable importing companies in the EU and vice versa. The online matching database contains profiles of hundreds of CBI-audited and assisted exporters in developing countries that are ready to enter into various forms of business relationships with companies in the EU, as well as many EU companies interested in importing or other forms of partnerships such as subcontracting or private labelling.

Export development programmes (EDPs)

EDPs are designed to assist entrepreneurs in developing countries in entering and succeeding on the EU market and/or in consolidating or expanding their existing market share. Selected participants receive individual support over a number of years by means of on site consultancy, training schemes, trade fair participation,

business-to-business activities and general export market entry support. Key elements usually include technical assistance in fields such as product adaptation, improving production, implementing regulations and standards and export marketing and management assistance.

Training programmes

Training programmes for exporters and BSOs on, among others, general export marketing and management; trade promotion; management of international trade fair participations and developing client-oriented market information systems. The duration of the training programmes vary between two days and two weeks and are organized in Rotterdam or on location in developing countries.

BSO development programme

Institutional support for capacity building for selected business support organisations.

The programme is tailored to the specific needs of participating BSOs and can include train-the-trainer assistance, market information systems support and staff training. CBI's role is advisory and facilitative.

Please write to us in English, the working language of the CBI.

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