



Forté

**Business
Group
Limited**

FOCUS
ON BUSINESS DEVELOPMENT

Please consider the environment before printing this newsletter.

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Welcome to Forté’s *FOCUS on business development*. This newsletter is designed to provide you with information on latest management trends along with fresh views about what is happening around the world and in our markets. We hope you find it valuable and stimulating.

We suggest, since not every article will be of interest to you, that you run your eye over the highlighted boxes that contain a brief summary of the story that follows and pick out those of most interest.

Happy reading!

The Forté team

Welcome to Forté FOCUS

To focus on the most pressing issues facing your business today we’ve built an entirely new competency around innovation management and corporate social responsibility/sustainable development. These now stand alongside our previous core services of general management and marketing consultancy. In the same period Tony has served a term as Chief Executive of the Marlborough Regional Development Trust and completed a Master of Business Administration degree through Henley Management School, Reading University, UK. This newsletter represents the relaunch of the new look Forté. Forté now has a number of divisions and later in *Forté FOCUS* you will find some information about those services.

We believe that market knowledge (as opposed to information) is so important for our clients to succeed in today’s climate that we have resolved to undertake regular market exploration visits to inform our advice. We will from time to time report our findings from those visits and other sources of knowledge in the form of this newsletter. We hope that you find it useful and that it stimulates new ideas to develop your own enterprise.

Forté FOCUS is designed to bring you new and up to date ideas based on recent research, including our own, and to help provide tools to respond to today’s and tomorrow’s challenging business environment. If you would like additional information on any of the topics please call Tony on 0274967821 (We’ll have a land line soon – we’re just waiting for our new office to be ready). Or email us at:

tony@forte-management.biz
or
Helen@forte-management.biz

Ten tips for tough times

This list is neither definitive nor exhaustive and advisors from other disciplines will come up with different recommendations. But these represent some of the things we think that you should be factoring into your thinking at this time.

1. Respond to your emails at least twice each day, and weekends too if you are doing business offshore. We live in impatient times and your customers and prospects will move on to someone else if they don’t hear back promptly, preferably the same working day.
2. Never, ever, even in these difficult times offer better terms to a new customer than those you offer to your existing customers.
3. Focus on your distribution channels. Talk to Forté if you are interested in a project to build new channels to market.
4. Talk to us about the latest ideas on niche marketing and positioning. Niches are where everything NZ exports except dairy should reside.
5. Focus on ethics and corporate social responsibility.
6. Focus on sustainable climate neutral production and products.
7. Recognise that facts and figures do not reveal how people in a market think and behave.
8. Tell your stories – that adds value to your core products. But remember that people in our markets – even those that look just like us, interpret what they see and what we say through a different lens to our own. That is, don’t think that everyone is just like us. They are not!
9. Focus on price and quality maintenance. Avoid discounting wherever possible. Especially avoid lowering quality on otherwise premium products to cut costs. Even the short term benefits are dubious. Do the sums on the amount of extra sales that you have to achieve through discounting to return the same profit. And yes – we understand that sometimes you just have to



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generate cash – but at least be aware of the impact on your profit and remember that once you discount you may well have set your new floor price. So negotiate carefully and make sure your buyer knows it's a one off deal. To see how much extra you have to see to make the same profit, [click on the blue bar](#).

10. Understand the intellectual assets that form the basis of your business and look to squeeze every last drop of value from them. [Click on the blue bar below for more information](#).

Understanding people

We have come to talk about markets as if they are things and not groups of people. And that is a mistake. We need to understand how people think, their quirks and cultural differences – even when they look just like us. And that means delving beyond the so-called “facts & figures” that we usually rely upon.

The Western business world has unfortunately succumbed to the “You can only manage what you can measure” maxim all too literally – and even worse have come to believe that the more we measure the more we manage. That's plain wrong and today managers are drowned in minutiae. The reality is – there is a lot about our businesses that we cannot measure – or certainly can't readily reduce to “facts and figures”. Recent research has revealed why there is so often a gap between research and what happens in reality. When we ask people questions they provide conscious mind answers. When they make decisions, including purchase decisions, they rely almost exclusively upon well polished “habits” laid down in the sub-conscious mind – sort of an auto-pilot. Questionnaires, focus groups etc certainly provide facts and figures

about purchase rationale – but they reveal the conscious, not subconscious thinking – and the two are quite different.

Decision makers are drowning in information yet remain under-informed. Our research shows there are two main reasons. First, we (Kiwis) confuse information for knowledge. In fact, the amount of information that flows through our lives is now so great that it challenges our mental abilities to process it in any sensible way. Maybe that's why we live in the information age not the knowledge age. Second, because information is processed through our own unique (culturally determined) mental models, we often interpret market information differently to the people in-market. Our research shows that this is a particular issue for Kiwis. We tend to think that everyone views the world (and hence our marketing messages and behaviour) through the same lens that we do. In fact different cultures can view the same data set and see quite different things. Researching and understanding this was the basis of Tony's MBA dissertation. [Click on the blue bar for a complimentary copy of a presentation to the Ministry of Research Science and Technology's Innovation Working Group](#).

One way, perhaps the only way, to gain an understanding of the people in a market is to learn to read the signs, symbols and behaviours and how to interpret those from the other person's perspective not ours. Forté has spent considerable effort developing the competency to do just that and we now believe that so much can be gained by this process of observation that we will as part of the resource base for our clients, aim to regularly undertake in-market exploration. Much of the rest of this focus reports on an exploration visit to the UK market (especially the South and West), and a brief look at California (as viewed through a San Francisco lens).

Capitalism is dead?

If the global news media are to be believed, capitalism has been dealt a fatal blow over recent months. But, according to the great management guru Peter Drucker, times like now are the most fertile for new opportunities to emerge. We just need the ability and confidence to spot and grasp them.

The Forté team was in the UK during the height of the credit crunch crisis. The news media had a field day predicting the end of life (capitalism) as we know it. “The world will never be the same again!” expert after expert commentator intoned. What complete nonsense! Of course the world will never be the same again. It never is. Never can be (except in *Dog Day Afternoon!*) But it is true – we will have to do business differently in the future. (See *Trust – the new business currency* for some thoughts on responding.)

Between the news media and economists, a pretty good job has been done of talking us into a deeper financial hole. We are reminded of the old saying that “When you want to get out of a hole stop digging.” But there seems to be a lot of compulsive hole digging going on. We were delighted therefore to watch Auckland University's Professor Tim Hazeldine (Campbell Live, TV3, 28 October) place a refreshing spin on the whole situation. The story was about people who ignored the down turn and carried on spending. Here's the transcript (TV3 typos and all):

“Surprisingly, not paying attention, in times like these, is a good thing according to Professor Tim Hazeldine, who heads up the economics department at Auckland university. “Well I'm very impressed I think they are good patriotic Kiwis and they're good economists too they understand that one person's spending is another persons income and if we all stop spending then we'll all dry up other peoples incomes and other people will stop spending and down we go,” Professor Hazeldine said.



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CampbellLIVE: "Some people are predicting catastrophic times ahead, what do you say?"

"This has been called a meltdown but nothing physical has actually melted down, it's not like global warming, its not like a nuclear holocaust, even those houses that were unwisely often sub prime mortgages on there still there, all the physical stuff is still there it's just the writing down of the numbers on the TV screens and that shouldn't become a major real recession," Professor Hazeldine said.

Credit agencies carry blame

Many commentators are showing surprise at what has happened in financial markets. Yet talk about the US Sub-prime Mortgage Market (the underlying cause of the problems) had become common place around the world. The writing on the wall got larger and larger but the forces behind the dubious mortgage activities could not/would not pull back from the brink. But while it is easy to blame the mortgage sellers, they were enabled by the big rating agencies failing to flag the trillions of US dollars of "toxic debt" that was accruing and being hidden. Now they are contrite and offering apologies.

The credit crunch has its roots in the US sub-prime mortgage markets – mortgage products sold by mortgage sellers to people who could not afford the repayments, had poor credit histories, and often using inflated valuations. The mortgages were then repackaged repeatedly until the risk appeared to have been removed. Of course it hadn't, and when the housing market started to falter, failures cascaded through the tiers of repackaging, bringing down some of the world's most august financial institutions.

Were their signs of impending disaster? Absolutely. Were the signs ignored? Absolutely. Reason – a combination it would appear of greed, ignorance and misplaced confidence in the integrity of the financial institutions. But of course we have rating agencies, like Standard and Poors to protect us and the financial institutions from risk. And put in simple terms, they failed us all. They are now incredibly contrite and promising to do better in the future. While in the US we heard one rating agency CEO making a public apology claiming "We've learned some valuable lessons."

We find the rating agencies (and the markets') inability to read the signs rather curious since for at least 18 months our friend and colleague Nick Gerritsen had been returning from the US and predicting exactly what happened for exactly the reasons it happened. And was Nick a lone soothsayer. Well not really. [Click on the blue bar for a series of You-tube stories posted early in the year.](#)

"There are none so deaf as those who do not want to hear." It will take more than apologies to restore confidence in the rating agencies.

Trust - the new business currency

The credit crunch has come about because financial institutions have lost trust in each other and as a result, inter-bank lending that the global financial system relies upon, has dried up.

Trust is earned over decades and lost in minutes. When the dust settles we predict that TRUST will be the new currency of business.

In the new business environment that we now all live in, those businesses that succeed will be the ones that can build enduring relationships based upon true understanding and true trust. And that may prove quite difficult for us to grasp. Not that we (Kiwis) are not trusting, we're often too trusting

to the point of naivety. Nor for that matter are we untrustworthy. But because we generally fail to appreciate how important many of our customers consider building trust and confidence ahead of signing the contract. That has us in common with Australia and the USA but at distinct odds with European, Asian and Muslim countries. All of the latter expect us – as the providers of goods and services to take the time to really understand their needs and for them to have the time to make value judgements about whether they can confidently build long term relationships with us. What we can expect to emerge from the current financial upheavals is a much greater demand for ethical behaviour. And with any sort of luck, the Americans in particular will return to looking at company fundamentals instead of the absolutely irrational sentiment that has come to dominate sharemarkets!

Decisions will be based more on trust and values rather than just quantitative and legalistic criteria. The relentless drive to "evidence based" decision making may well have led us to the upheavals we now face. Evidence based decision making aims to deal just with facts and legalities and exclude accumulated experience, opinion and intuition (which research shows is a key part of good decision making) - in the name of supposedly making technically better decisions. Any business, and especially any business involved in export, needs to be looking to its Corporate Social Responsibility (CSR) strategy – because your customers will be. If you don't have a CSR strategy then our strongest advice is – start work now. [Click on the blue bar for more information.](#)

Tip: New Zealanders are amongst the shortest term thinkers in the world. Our special challenge is to understand that building trust takes time – time that we are not accustomed to or comfortable with investing. We'd better start getting used to the idea that trust is going to be the new business currency.



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“Fresh & local” pointer to the future

Fresh and local is an appealing message that New Zealand producers will find more difficult to combat than food miles.

In both the UK and California the local food movement is very strong, and very mainstream. It focuses around local, fresh, ethical, climate neutral food produce and products. This appears to be a very appealing message across markets from yoghurt to wine. We visited Camel Valley winery (<http://www.camelvalley.com/index.aspx>) in Cornwall (production in a good year – 200,000 bottles). The winery produces a variety of wines including a still white using Bacchus grapes “in the New Zealand style”. Somewhat disappointing drinking. However the success of their gold medal winning sparkling was illuminating. On tasting it was an interesting, fresh, light, slightly cidery wine but proved somewhat one-dimensional on drinking. The product sold at £19.95 at the cellar door and in local wine outlets and up to £60 in London. (For comparison Moët & Chandon Brut/Imperial sold at the Co-Op for £25.99. \$NZ72.65 in the Blenheim New World). Demand exceeds supply (many fold) and is sought after to stock in premium restaurants, especially Michelin Star where use of local product is one of the judging/rating criteria. The key point is – the local product pulled a very significant premium (relatively) over superior non-local products.

Perhaps the most powerful part of the “local” message is that nowhere did we see “local” defined in any way. There was for instance no evidence of “Buy UK” type promotion. The messaging was much more subtle. By not defining “local” the consumer is able to adopt what ever interpretation they choose – village, county, country, Europe etc. This is a very powerful strategy and we should recognize

that this is not just market forces at play but a very well conceived producer and UK Government DEFRA supported strategy. The DEFRA sustainable production strategy is the best that we have seen anywhere).

We will find the fresh - local trend more difficult to combat than foodmiles!

“Fresh”, “local”, “natural”, “climate neutral” - ? key words in the UK food and beverage market

The rate of change is so fast that we have lost touch with what is happening in our markets. Every market has leading edge indicators that if correctly read will point us to where the market is heading. These indicators are not always easy to find and read however. The South-west of the UK, which labels itself the “culinary capital of the UK” provides some interesting signals as to where the food and beverage market in that country may be headed.

The South-West of England (Devon and Cornwall) has positioned itself as the culinary capital of the UK. We might find it odd that the UK has a culinary capital but to think that way is complete folly. This part of the UK, we believe, provides some revealing early indicators of where the larger UK market will head over the next few years. The key words to think about are: FRESH-LOCAL-NATURAL-CLIMATE NEUTRAL.

In so far as natural products (including but not limited to certified organics) can be seen as an indicator, the market is some years ahead of us in New Zealand. Both the public and marketing messaging around natural, local, climate neutral is so pervasive that in our opinion, the tipping point has passed whereby the key words above are now so embedded into the UK sub-consciousness as to make these issues entirely mainstream and therefore part of consumers’ habitual decision making criteria.

That all means that our products and our marketing messages are increasingly viewed through a lens reflecting the key words above. And that lens is quite different to our own Kiwi lens. That presents a marketing challenge the magnitude of which we have barely begun to grasp.

Click on the blue bar for examples of the pervasive messaging.

Sustainability, climate change and food integrity

Ethical products and marketing is the new frontier of business – and don’t expect the current financial chaos to turn back its advance. While we may take food product integrity for granted – our markets have an entirely different view of their food.

We’ve known for some time that ethical investment is the fastest growing segment of the investment market. We have written previously about ethical food issues – in fact Forté’s business philosophy is based on a food integrity epiphany in the UK ([Click here for the story](#)). It came as no surprise then as to the growing prominence of ethical, climate and food integrity issues and messaging within the UK market. Reflecting very real concerns around climate change, *Fairtrade* and *Rainforest Alliance* certified coffee for example, is very prominent. [Click on the blue bar for an example:](#)

Origin is an ethical wine brand. [Click below:](#)

Cause related marketing is also very prominent. We were interested (surprised??) to find Banrock Station (<http://www.banrockstation.com/>) wines stocked at the Eden Project shop – the only imported wine product available. We presume this is a result of Banrock’s effective positioning and promotion of their environmental and social

responsibility credentials and cause related marketing.

Most likely the long experience of dealing with air and water pollution and food safety issues such as BSE has made adoption of climate neutral strategies easier and quicker in the UK than here in New Zealand. Likewise the level of messaging is much greater than here. That has opened up a considerable gap between our thinking and the thinking in one of our key markets.

Wetherspoons is a pub chain not unlike our Cobb and Co – targeting an audience that in NZ would not be considered prime for these types of messages. We thought that the following, taken from a single menu, was very revealing:

- *“Farm assured British beef.”*
- *“Outdoor bred pork.”*
- *“100% British beef.”*
- *Dolphin friendly tuna.” x2*
- *“We use only 100% Rainforest Alliance certified coffee.”*
- *We are committed to sourcing the best ingredients, where possible from the UK.”*
- *“We are proudly able to say that we are able to trace the origin of our food to its growers and farms.”*
- *“Our cod is sourced from recognised sustainable fisheries.”*
- *“We are proud to use only 100%British potatoes for our chips.”*
- *“JD Wetherspoon supports the charity CLIC Sargent. We have raised over £2 million to date. Registered charity no. 1107328.”*

The same chain is currently featuring Villa Maria Marlborough Sauvignon Blanc for £5.15 for a 250ml glass or £13.20 a bottle – which pleasingly was the most expensive on the wine list – solid price positioning that was not universal.

Water the new gold

We underestimate the importance people in our markets place on water management at our peril. Our somewhat cavalier attitude to water usage will come back to bite us.

Even though as a country we are beginning to face some significant water issues – they pale in comparison to those already faced in many places around the world. So it is no surprise that we continue to think of water in relatively simplistic technical terms. Yet in many places, including our markets, water has taken on an ethical and highly political dimension. And awareness is very high indeed.

We have long argued that the messages that we convey about water are less than optimal and eventually that will come back to bite us. We were interested then to see a recent attack in the UK on Starbucks practice of running water continuously to waste. Striving to recover its hard won environmental credentials and credibility, Starbucks buckled to public pressure and agreed to turn off their rinse taps between uses. Try a Google search for “Starbucks turns off taps” to see how big an issue this is.

Given that NZ has been pretty free and easy with the way we use water we expose ourselves (companies and our 100% Pure image) to similar attacks to those Starbucks has recently experienced. We need to be much more conscious of the messages that we represent through our water strategies and water use for every product group, factory, town and region.

Farming – we’re the best. Right?

Well resourced and widely supported efforts to improve the efficiency and sustainability of British farming practices warrant close attention.

As a nation, we’ve long prided ourselves on the efficiency of our farm production – land or water. We’ve focused much of our innovation effort on driving down the cost of production. Without diminishing the importance of production efficiency, we note that reliance on being the lowest cost producer is a fine strategy if our mission is to feed the developing world without regard to our own standard of living. But as far as we are aware that’s not our national mission although our continuing slide down the OECD rankings – we are now 23rd out of 30 – might suggest that it is.

As “casual” observers, we noted some interesting developments in UK farming. 1) They are adopting sophisticated automation and other productivity strategies. 2) There are recognised, widely supported and obvious efforts to increase productivity and quality. [Click on the blue bar:](#)

3) They are and recognize that they are impacted by climate change. 4) There is a significant move to consolidation of farm properties. How much that has impacted productivity to date was unclear but as the consolidated farms become contiguous, the affect on efficiency and productivity is likely to be very significant. 5) Food quality/integrity management is a very serious issue with farmers, consumer groups, companies, and regional and central government all involved.

Unemployment & the skills mismatch

The mismatch between the skills necessary to drive the modern economy and those available within the legacy workforce is a massive and unrecognised constraint on economic performance.

Immediately prior to leaving for the UK we completed some work on possible labour demand in New Zealand. One of the interesting statistics was that during 2007 only 54% of advertised positions were “adequately” filled within 10 weeks.

That is a huge brake on the economy that the current upheavals are not likely to eliminate. The impact of the downturn will be extremely lumpy. Different sectors and different regions will fare differently! There is a massive mismatch between the number of people that will be available in the workforce, and the numbers required if our sectors are to achieve anything like the growth that they aspire to over the next decade. The current upheavals will represent nothing more than a short-term blip in this regard. The combination of aging population, loss of younger people from the regions and New Zealand, and a mismatch between available and required skills is conspiring to create a potential economic catastrophe.

We were interested to see figures in the UK revealing that as the credit crunch hit unemployment headed towards 1.9 million. Yet – at the same time, 600,000 positions remained unfilled. That is, there is a massive mismatch between the skills and qualifications demanded by the modern knowledge economy and those available in the “legacy” workforce. The emphasis on continuing education and up- and re-skilling cannot be overstated – otherwise our slide down the OECD rankings will continue unabated.

Exposing our products to the risk of sale

With our distance to market, logistics and distribution are key. We hear repeated stories of NZ companies struggling to get good distribution. Then we make it needlessly difficult for customers to buy our products.

Distribution channels to market are becoming increasingly important for New Zealand – and in many sectors, the channels are where the majority of value is appropriated. That is, our importers, distributors and retailers make more from our products than we do in New Zealand.

We'll soon be able to report on an important initiative to build a new distribution channel, but in the meantime, a series of observations from the most recent market exploration.

Exposing our products to the risk of sale: We enquired of the manager of a quite exclusive wine establishment in England why it was that he had Australian, Chilean, South African and Californian “New World house wines” but no New Zealand wine. “The lead time is too long” was the reply. Then while in San Francisco we were browsing a Williams and Sonoma cookbook (see <http://www.williams-sonoma.com/> for the coolest source of gourmet foods and professional-style cookware) and were pleased (at first) to come upon a recipe featuring “greenlip” mussels – clearly New Zealand Greenshells. Then to our horror we read the attached caveat: “Greenlipped mussels recommended – **when available**”. The need to apply a caveat like that is unforgivable – especially in such exclusive company!! Then to round out our disappointment, upon visiting our favourite San Francisco wine outlet, where previously 10 to 12 NZ labels had been stocked, we found just 4 – three savvies and a Pinot noir. We didn't elucidate the reason but this is the type of store that helps us maintain our price premiums.

Confused identity: We were alarmed to see the frequency with which New Zealand wines were positioned under the label “Australia”. [Click on the blue bar for photographs.](#)

Similarly, we were disappointed to see the degree to which Marlborough seems to have been deposed into a more generic New Zealand brand.

What's happening to the Savvie price?: We encountered two pricing surprises in the UK market and another in the US. First, in the UK discounting (big discounting for volume) of NZ Savvies is widespread including in specialty stores where we hadn't previously seen this. Second, the frequency with which varieties other than Sauvignon blanc were pulling better prices surprised us. We have drawn some conclusions. We will leave it to our readers to draw their own! [Click on the blue bar for photographs.](#)

(Note: same photos as “confused identity”) Third, in the US we were disappointed to see a Marlborough Savvie retailing at \$9.95 (would have been purchased when the \$NZ was at 65c US or more) – and worse – proudly promoted by its Australian marketer on price. The Super and Ultra-premium pricing in the US seems to be under attack.

The Forté Business Group Limited services directory (www.forte-management.biz)

- **Forté Business Development Advisors**
Our general business advisory service with a focus on business and regional development, corporate social responsibility and sustainable development. Comprehensive business analysis, research, planning and development services for new and existing businesses, economic development agencies, local and central government.
Please click her for more information: www.forte-management.biz
- **Forté Staff Finders**
Forté's response to the skill shortage. Focus is on identifying prospective immigrants, including through attendance at job expos and matching that interest in moving to Marlborough with employers needing skilled staff. Specifically aims to increase the pool that local employers can choose from. Despite being a fledgling service, Forté Staff Finders has already made some significant placements. Currently expanding service to provide immigration services to prospective immigrants to New Zealand.
Please Click here for more information: <http://www.forte-management.biz/staff%20finders.html>
- **eNzyme intellect**
Designed to help companies manage the innovation process and to release value, often laying hidden, from their planned and everyday innovation efforts. Includes comprehensive intellectual assets assessment service. Draws heavily on Tony's MBA research and dissertation that seeks to identify the relationship between Kiwi cultural values and the relative successes and failures (respectively) in initiating (= creativity) and implementing innovation (= returning value or profit). Forté recommends the Intellectual asset audit to all businesses and sectors.
Please click her for more information: <http://www.forte-management.biz/enzyme%20intellect.html>

Forté Service Summary

- Corporate and regional strategic development planning
- Business start up
- Policy and analysis
- Integrity (Corporate social responsibility)
- Sustainable Development including Landcare Research carboNZero Programme trained consultancy
- Innovation and entrepreneurship
- Broad seafood industry and water/food quality issues and programmes
- Interface between industry and government
- Management audit and organisational reviews
- General management services
- Facilitation services

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