

Trade between Kenya and Finland

Exporting processed tea from Kenya to Finland

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<p>The purpose of this thesis study is to establish an import business of processed Kenyan tea from Kenya to Finland. Although some Kenyan tea products have found their way into the Finnish market, the quantity has been low and hence insignificant in as far as creating consumer awareness and demand is concerned. This is despite the fact that Kenya is one of the world's leading growers and exporters of quality tea products which are in high demand in various countries all over the world. As evidence to this, Kenyan tea is blended with tea brands from other countries such as Sri-Lanka so as to give them the desired flavor (taste).By establishing a line business dealing with Kenyan tea exclusively; this study therefore aims at creating a plan for increasing consumer awareness hence interest and demand in Kenyan tea products in Finland. The report will also show all the logistics involved in the trade and calculate the costs so as to show whether the venture is profitable or not. A conclusion and recommendation will then be done at the end on whether it's advisable to undertake the business or whether the whole idea should be dropped.</p>	
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CHAPTER 1: INTRODUCTION

1.1 Objectives

This thesis aims at establishing an export business of processed tea from Kenya to Finland. The tea will then be marketed in Finland using established distribution chain shops. This distribution channel is motivated by the fact that there is always excess capacity for export since Kenya is the 4th largest tea producer of black tea in the world after India, China, and Sri-Lanka. The tea is processed and packed by the Kenya Tea Packers (KETEPA) company limited. The report will thus establish whether it is profitable to venture into exporting tea from Kenya to Finland, as well as looking into the challenges involved so as to make a recommendation whether to start exporting or not .

This thesis addresses the following areas:

- 1.) It introduces the reader to Kenyan tea brand names.
- 2.) Looks into the process of importing tea from Kenya to Finland.
- 3.) How to establish a distribution chain for the imported Kenyan tea in Finland.
- 4.) Calculating the full cost of importing, shop administration, and marketing of the tea products in Finland.
- 5.) Evaluates whether the entire venture is profitable or not and see if it's worth engaging into.

1.2 Methods

This research relies on various sources for information as well as the author's own knowledge of the Kenyan economic and social situation. The writer also referees to various thesis works by former students at Arcada who have since graduated.

However, it was not easy to obtain information from Kenya as many e-mail inquiries went unanswered and the some websites were either dysfunctional or contained viruses.

1.3 Literature materials

The following were the sources of the data used for analysis in this thesis;

- 1.) Questionnaires; were send to various management personnel of key supermarkets in Finland and managed to get a response from Innex.
- 2.) Library books; report relied on various books relevant to the field of exporting and readily available at the library.
- 3.) Interviews; were contacted by the author with various people who are either consumers or managers in the tea business.
- 4.) Thesis works by former students; provided both format and vital information useful to the author of this thesis.
- 5.) Phone call inquiries; the author made phone calls to various people especially those working in customs and other government agencies so as to obtain useful information.
- 6.) E-mail inquiries; e-mail inquires came in handy especially where all the information needed could not be accommodated in a single phone call.
- 7.) Direct observation by the author especially at the shop (super markets).
- 8.) Internet (website) research; provided much of the information since it is readily available and easy to access the internet.
- 9.) Newspapers; local newspapers provide a better information on the local situation prevailing in a certain country or locality. Such information may not be readily available from any other sources such as the internet which is broad based and general.

1.4 Structure of the thesis

This thesis is divided into the following parts;

1. Introduction
2. An Export plan
3. Facts on Kenya
4. Formation of the Export company
5. “Chai Bora” limited Export plan
6. Implementation of the Export plan

7. Discussion and Conclusion

We begin by looking at the structure of an Export plan.

CHAPTER 2: AN EXPORT PLAN

An “export plan” also known as an “international business plan” is important for defining a company's present status, internal goals and commitment. It is also required when seeking export financing assistance. Preparing the plan in advance of making an export loan request from banks can save both time and money.

Completing and analyzing an international business plan helps the business anticipate future goals, assemble facts, identify constraints and create an action statement.

It should also set forth specific objectives, an implementation timetable and milestones to gauge success.

2.1 The Introduction

The introduction should provide the basic rationale for why the company should export.

The reasons should be profit oriented and fit with the company's overall business plan.

Before starting an export, an individual should evaluate his company’s “export readiness”. Further planning for export should be done only, if the company’s assets are good enough for export.

There are several methods to evaluate the export potential of a company. The most common method is to examine the success of a product in domestic market. It is believed that if the products has survived in the domestic market, there is a good chance that it will also be successful in international market, at least those where similar needs and conditions exist. One should also evaluate the unique features of a product. If those features are hard to duplicate abroad, then it is likely that you will be successful overseas. A unique product may have little competition and demand for it might be quite high.

Once a businessman decides to sell his products, the next step is to developing a proper export plan. While planning an export strategy, it is always better to develop a simple, practical and flexible export plan for profitable and sustainable export business.

As the planners learn more about exporting and your company's competitive position, the export plan will become more detailed and complete. [1]

2.2 Part 1 – Export Policy Commitment Statement

The export policy commitment statement underscores the commitment of the Exporting Company such as to provide quality products to the retail market of the country it's exporting to. It could include a commitment statement which as follows;

“Our company is willing to utilize necessary resources to ensure the success of our export venture. Central is also committed to providing in-depth service to this market in terms of assistance in distribution, advertising, and promotion.”

The overall goals could be to for example;

- develop long-term relationships with the foreign wholesalers and resellers
- successfully compete in the foreign markets

The short-term goals could be to;

- secure contracts with major wholesalers in the foreign market
- develop prosperous business relationships with the local wholesalers

The long-term goal could be that within eight years;

- establish a strong market presence
- obtain a market share of 3 percent
- provide custom brokering services

2.3 Part 2 – Situation/Background Analysis

The situation and background analysis should describe the company, its internal resources, and the structure of their industry. Sections should include descriptions of the following areas:

- Product or service
- Current operations
- Proposed export organization
- Industry structure

There are several ways to measure a product's potential in overseas markets; one of the most important being its success in domestic markets. If a company is successful in selling a product in the home country market, then there is a good chance that it will be successful in selling in markets abroad, wherever similar needs and conditions exist. In markets that differ significantly from the home country market, some products may have limited potential. Significant differences may relate to climate and environmental factors, local availability of raw materials, product alternatives, lower wage costs, and lower purchasing power.

The study of both the home and abroad markets enables the company gauge whether or not any product modification is required. If a product is not new or unique, preliminary and low cost market research is probably already available that can facilitate the assessment of its overseas market potential. Trade statistics, available from the Statistics office and the Ministry of Foreign Affairs and Trade in the home country, can give a preliminary indication of markets for a particular product in most countries. [2]

2.4 Part 3 – The Marketing Component

The company must identify how it will select and service target markets. Specific sales and profit targets could also be set.

The marketing component section should include:

- Identifying, evaluating and selecting target markets
- Product selection and pricing
- Distribution
- Terms and conditions of sales
- Internal export procedures
- Sales goals

The marketing component in an export plan should provide a clear picture of the direction the product or product line will take.

This section should include three major components;

- The first is an outline of the marketing strategy under which the marketing plan is being developed. It can include market growth, market stability, cost control, and market exit strategies.
- The second section should outline the organization's marketing objectives and can be organized by target market objectives, promotional objectives, channel objectives, research & development objectives, and other marketing objectives.
- Finally, this component should include an outline of financial objectives such as customer sales, channel sales, margins, profitability, and ratios. [3]

2.5 Part 4 – Tactics and Action Steps

The company must identify its primary and secondary target markets and describe how the market will be approached and developed.

2.5.1 Step-1: Identify your target market

First step of export marketing is to identify target market and market needs where the company's products/services have good market potential and demand. After identifying its target market and market needs, then it's easy for the company to get export orders from those countries. One can identify target markets by conducting an International Market research activity that will give a detailed knowledge of opportunities available in the International market.

2.5.2 Step-2: Developing Export Marketing Strategies

After identifying the target market, second step of export marketing is to develop the right Export Marketing Strategies including market entry strategy, positioning strategy, product strategy, pricing strategy, branding strategy, supply strategy and promotional

strategy according to target market needs. Based on the conclusions of the International market research, the company is able to develop the strategy to meet its export marketing objectives.

The Export Marketing strategies should be able to develop a sense to;

- Enter into the right market where the company's products/services have a good market potential and demand
- Position appropriately so that the business has an edge over competitors
Develop products/services that satisfy the needs of buyers
- Offer prices that give both of the company and the buyer a competitive advantage
- Offer own brand or a private label solution
- Supply as per ready stock or buyer's requirements
- Promote the company thus creating awareness among the buyers/importers

2.5.3 Step-3: Preparing Marketing Communication tools

The third step is the preparation of informative and appealing marketing communication tools like Company Profile, Sales letter, Product Catalogue, Brochures, Website etc. that can support in positioning and promoting the company. All the marketing communication tools should be well designed, informative, professional and appealing such that they can deliver all the necessary information about the company and its products/services to prospective buyers/importers. This will in turn influence their decision to start business communication with the company.

2.5.4 Step-4: Promotion

The main objective of promotion is to create awareness among buyers/importers of what the company intends to offer. Promotional mix should be cost effective and should deliver right message, in the right time and at right place. Promotion should lead buyers/importers to get attention, capture interest and take action in initiating business communication with the company. The internet is now the best cost effective and fastest promotion tool in present export marketing practices.

Major buyers/importers are nowadays using search engines, B2B portals and directories to find and contact genuine suppliers. So the presence of a company's profile and products/services in major search engines such as Google, yahoo and B2B portals like Alibaba.com gives it a global exposure and creates awareness among buyers/importers effectively. Participating in Trade fairs, Exhibitions and catalogue shows is also a good offline promotional strategy which can generate a direct and live contact with buyers/importers.

2.5.5 Step-5: Generating Export Inquiries

Success in export Marketing begins with generating genuine export inquiries from prospective buyers/importers which requires expertise and focused work of promotion, sourcing genuine buyers and approaching them professionally. A company should study its buyer's profile and/or buy leads so as to ascertain whether it can offer them what they require.

A Buyer/importer can only send an inquiry to a company when he is convinced that its products/services are better than his existing supplier in terms of Quality, Price, Services and/or developing more suppliers and/or for other reasons. A company can gain a competitive advantage by contacting its customers and getting them interested in its products/services. The customers then send inquiries which can be converted into export orders by communicating and negotiating professionally. [4]

2.6 Part 5 – The Export Budget

The company must prepare a budget for their export drive. The information should also identify specifically from where the money will come.

The export budget should include:

- Marketing budget
- Product or service development budget
- Manufacturing budget

The export budget should be prepared with a time frame in mind. If the company believes that it will take 2-3 years to establish an export business, then it will need a budget to support those export activities over this period. It is no use expecting to take three years to develop an export market, but only budget for one year. This means that at the end of the first year, the budgeted money will inevitably run out and the business will almost certainly have to look for more money.

However, a firm's circumstances and priorities may have changed and it may be difficult to set aside more money for the export activities for the next year (or two) at this time.

This means that the focus will shift away from exports, resulting in the ultimate demise of the export business. It is therefore crucial that the company allocates a realistic budget for the exports for the time period it will take to establish the export business. [5]

2.7 Part 6 – Implementation Schedule

Along with the procedures and budgetary requirements of exporting, the company will need to develop firm time lines for its export drive.

Time lines will be needed for the following areas:

- Marketing
- Production/service
- Management reviews

The company must discuss how it will develop feedback on the export drive and how it will be evaluated. An important part of an export strategy is setting the time frame for undertaking the various marketing tasks set by the business as part of the strategy.

Without an implementation schedule, the strategy is endless and doomed to failure as urgent matters will inevitably be put aside for a later date. A schedule will thus force the company to do the tasks it has set for itself by a certain date.

However, not every task will always be achievable within the set time frame as there will always be impediments and delays to be encountered. It is for this reason that the export plan should be revisited regularly by revising both the strategy and the implementation schedule with any new developments that affect the export activities. It is recommended

that a company works on a three-year time frame. This is because the business can not be sure of generating ample export sales before the end of the second year.

The company should strive towards obtaining its first order towards the latter part of year two and generating further sales;

- From other clients and
- From the first client in year three.

It should also be born in mind that in countries such as Japan, it may take from 5-10 years before one can manage to penetrate this market. It is therefore important to set realistic and achievable time frames. [6]

2.8 Additional information: Background data on target countries and market

This plan component will outline the potential issues that may affect the implementation or success of the marketing plan. This can include a discussion of internal factors, external factors, and limitations on research and development such as;

- Basic market statistics: Historical and projected
- Background facts
- Competitive environment

These six components of a successful marketing plan are time-consuming to compile and may be difficult to put together. However, spending the time and effort to prepare a detailed plan will give organizations an excellent tool for benchmarking and assessing marketing effectiveness. [7]

Conclusion

Having prepared the Export plan, it will now be easy for the company to carry out the implementation according to the schedule. The Export plan is a step by step break down of how the company will carry out its export business. Since the entire project will be centered on the export business, the Export plan thus forms the basis of the report. It enables the reader to get a grasp of what will be discussed later on in the report and the format which it will follow. Without it therefore, the report would be incomplete and hence not understandable.

CHAPTER 3: FACTS ON KENYA

3.1 Background Information

In this Chapter, the background facts about Kenya will be discussed. First we start by looking at the country map as it appears in the figure below;



Figure 3.1 Country map

[Source: http://travel.nationalgeographic.com/places/countries/country_kenya.html]

- **Location:** Kenya lies across the equator on the East coast of Africa. It borders Somalia, Ethiopia and Sudan to the North, Uganda to the West, Tanzania to the South and the Indian Ocean to the East.
- **Area:** Covers an area of 225,000 sq miles (582,646 sq km).
- **Administrative Divisions:** 8 Provinces including the Nairobi area. These provinces are divided into administrative areas known as Districts.
- **Climate:** Pleasant and favorable with plenty of sunshine all year round. Rainfall is sometimes heavy around April to May while some areas are cloudier though without much rain around July/August.
- **Population:** Estimated at 33,829,590 million (July 2005).
- **Religion:** 40% Protestant, 30% Roman Catholic, 6% Muslim, 23% other religious believes.
- **Capital City:** [Nairobi](#); population approximately 2 million.

- **Major Towns:** Mombasa, Nakuru, Kisumu, Eldoret.
- **National Language:** Kiswahili. Other 42 ethnic (local) languages are also spoken in Kenya.
- **Official Language:** English

[Source: <http://www.kenyatravelideas.com/kenyafacts.html>]

Kenya is a leading world producer and exporter of quality tea which is ranked as number one in Africa and third in the world. Tea growing in Kenya is done on the highland areas which have enough rainfall for the tea bushes to grow and low temperatures throughout the year, the ideal climate for tea growing. These areas are mainly found around the central and Rift valley parts of the country at altitudes ranging from 1500 to 2,700 meters above sea level. Kenyan tea is marketed as black tea as opposed to green tea and is well treated with no additives (chemicals). In some countries, it's used as a health beverage which is boiled and drunk so as to cure fever infections. [8] Tea is a major foreign exchange earner for the Kenyan economy besides coffee, tourism and horticulture, and contributes to between 17-20 percent of the total Kenyan revenue income (GDP) per annum. Much of the Kenyan tea is sold through the Mombasa auction with Pakistan, United Kingdom (UK) and Egypt being the leading buyer countries.

Small scale farmers grow 80 percent of tea in Kenya with the remaining 20 percent being grown by large scale farmers. The small-scale farmers market their produce through the umbrella Kenya Tea Development Authority (KTDA), which is in charge of collection, processing and selling of processed leaves. Large-scale producers of Kenyan tea on the other hand include Brooke Bond, George Williamson, Eastern Produce and African Highlands. Unlike small-scale farmers, large-scale growers are responsible for processing and marketing of their own crop. Kenya's tea production is usually in the region of 245 million kilos per year. Kenya Tea Development Authority and Association of Tea Growers develop and market Kenyan tea worldwide, while packaging of locally processed tea is done by the Kenya Tea Packers (KETEPA) company limited. [9]

3.2 Agriculture in Kenya

Agriculture is the biggest contributor to the Kenyan economy, employing three quarters of the population and contributing 30% to the country's GDP. This is according to the Central Bureau of Statistics, a department in the Ministry of Finance and Planning in the Kenyan Government. Kenya is one of the largest exporters of tea in the world which combined with coffee and horticultural products makes up half of the country's exports. Other agricultural products include: corn, wheat, sugar cane, fruit, vegetables, cotton, sugar, pineapples and sisal which are mainly grown for domestic consumption as well as export.

The livestock industry is large and of economic significance, exporting large amounts of hides and skins, dairy products, beef, pork, poultry and eggs. Kenya is the world's largest producer and exporter of pyrethrum, a flower that contains a chemical substance used in the manufacture of insecticides. Most farming in Kenya is small scale subsistence farming carried out at the family level with very limited use of technology if any. This provides food for domestic (family) consumption and the excess is often sold for some extra income. Some large scale farming both crop and livestock is carried out mainly for export by multinational farming companies based in Kenya. Examples are “Sasini Ltd” sisal growers and Delmonte which specializes in large scale pineapple growing and processing for export. [10]

3.3 Tea Growing in Kenya

Tea was introduced to Kenya from India in 1903 and ever since Kenya has been growing it commercially. Internationally, Kenya is the 4th largest tea producer of black tea after India, China, and Sri-Lanka. However, the reason why many people are not so familiar with Kenyan tea is because it is blended with other regional teas such as Assam, Darjeeling or Ceylon of Sri-Lanka.



Figure 3.2 A Farmer picking tea in Kenya

About 60% of the tea grown in Kenya is by small scale otherwise known as family based farmers. The remaining 40% is grown by privately owned large scale farms. All small scale farming is organized and managed by the Kenya Tea Development Authority (KTDA). Tea is grown at high attitudes with cool temperatures ranging from 1500-2700metres above sea level which are mainly in the central and rift valley parts of the country. Growing takes place through out the year and the tea leaves are picked (harvested) every 7-14 days. [11]

3.4 The Mombasa Tea Auction

The tea grown by large corporations in Kenya is usually sold in bulk at the Mombasa tea auction for export to the rest of the world. Tea exports make up about 20% of Kenya's total export revenues. The Auctions are held weekly, on Mondays and Tuesdays. There is presently, a main grades auction held on Tuesdays and secondary grades auction held on Mondays from 9.30 am. The variety of quality and progressively increased quantities offered have made Mombasa the second largest black tea auction centre in the world after Colombo in Sri-Lanka. [12] Tea processing in Kenya is by the “*cut, twist and curl*” also known as “*crush, tear and curl*” method (CTC), [George Mose of Arcada 2009, page 39] [13]

The Mombasa tea auction also handles tea from the neighboring states of east and central African which include; Uganda, Tanzania, Rwanda, Burundi, Malawi, Zambia, Mozambique and Madagascar. This is according to the “Daily News” newspaper of Tanzania online edition; “Business and Finance” reports of Saturday October 31, 2009. [<http://www.dailynews.co.tz/business/?n=3681>]

3.5 Export Regulations in Kenya

Having liberalized the economy in 1991, Kenya has very few export regulations.

The country allows the export of all items except only a few which are considered either of aesthetic value or affect national security. These items are such as animal products so as to curb poaching and smuggling, as well as military hardware. For one to export such products, they must get a prior authorization from the relevant government ministry before they can be issued with an export license.

In order to export from Kenya, a firm must obtain Form C 29 from Customs Department; and the following documents, which serve as certificates of origin, from Kenya's Ministry of Commerce and Industry:

- G.S.P. Form A for U.S. destined goods,
- EURO 1 for exports to the European Union,
- PTA Certificate of Origin for exports to the PTA* (COMESA) area, and
- Ordinary Certificate of Origin for exports to all other parts of the world.

In our case in order to export tea from Kenya to Finland, we need to fill both Form C 29 from Customs Department and the EURO 1 form for exports to the European Union. [14] [*PTA stands for Preferential Trade Area, it is a trade organization for East and Southern African states formed in 1981, which later changed its name to COMESA in 1993 meaning Common Market for East and Southern Africa.]

3.6 The challenges of doing business in Kenya

Kenya being a developing country usually presents some challenges to any business man wishing to set up business there. According to the book “The State of Africa” by Martin Meredith which discusses African contemporary history after independence Kenya included, the major problems facing businesses and society in general in Kenya include among others;

- I. Corruption, both government (official) as well as at the individual level - demanding bribes for any services rendered.
- II. Poor infrastructure, which includes roads, communication and power sources. (However, Kenya has made significant strides towards improving these sectors especially after the change of government in 2003.)
- III. Lack of or inadequate sources of information i.e. little transparency.
- IV. Little or no support by the government for upcoming (start-up) businesses in terms of tax incentives or subsidies.
- V. Difficult in sourcing business capital because banks are unwilling to lend to especially to small businessmen or individuals who may not show any collateral. This becomes even more acute when the government borrows money from the local market as banks prefer investing in government bonds do to there secure default-free nature.
- VI. Security is another major challenge especially in the big cities like Nairobi where armed robberies, violent break-ins, and car jackings are common place. This may necessitate the employment of private security services which are expensive.
- VII. Government bureaucracy resulting into a slow movement of business transactions for instance registration, which may as well be linked to corruption and bribery.
- VIII. Low purchasing power by the local population majority of whom are poor, translates into a smaller market and hence fewer profits.

~ From the Book: The State of Africa by Martin Meredith, pages 368- 411 [15]

3.7 Trade between Kenya and Finland

Trade between Kenya and Finland has been insignificant since Kenya does not even have an established Embassy in Finland but is served by the Kenyan Embassy in Stockholm Sweden which also happens to serve Norway and Denmark as well as Sweden itself.

This means that Kenyan products can only find their way into the Finnish market through third country imports such as importation through Germany. On the other hand, Finland has a fully fledged Embassy in the capital city Nairobi Kenya and an honorary consulate in the coastal and second biggest city in Kenya, Mombasa.

However, despite this fact, the only Finnish products common in the Kenyan market are the Nokia mobile phones. On the Finnish market, some small quantities of Kenyan black tea as well as “Vaseline” gel products can be obtained at the various shops specializing in both African and Asian food products in the Hakaniemi area of down town Helsinki.

A spot check by this writer managed to locate some tea labeled “Kenyan premium black tea” weighing 1,5kgs and retailing for €1, 70 per packet at one Indian shop going by the name “Maharaja” in Hakaniemi, Helsinki in September 2009. Other key tea products sold in Finland are the “Earl Grey” tea from Ceylon Sri-Lanka and “Twinings” tea from London UK. The aim of this thesis research study is to come up with ways and methods of establishing a direct tea import business from Kenya to Finland and marketing it at the local Finnish market.

CHAPTER 4: FORMATION OF THE EXPORT COMPANY

4.1 Registration

For one to engage in the export business from Kenya to a third country, it’s always prudent to register a limited company which will be responsible for the export undertakings so as to limit one’s liability incase of losses. It’s with this in mind that in collaboration with my brother who is currently living in Kenya that we registered a company by the name: “Chai Bora limited” Swahili for tea is good! The company will be involved in the buying of tea from the Kenya tea packers (Ketepa) limited and exporting it to Finland via shipping.

We held an interview with the commissioner in charge of legal affairs at Kenya's tax body, the Kenya revenue authority (KRA), Mr. Mumo Matemu in September 2009 and took us through the following procedure and requirements of registering a company with the Registrar of companies in Nairobi:

1. Name search: This is the name by which the company will be known in our case; "Chai Bora ltd". This part takes two days and costs under €5.
2. Prepare Memorandum and Article of Association: These documents describe the objectives, rules, subscribers and authorized share capital of your company. In our case it will be Kenya shillings 2million (€20,000) at current exchange rates.
3. Pay Stamp Duty: The amount paid is 1% of nominal capital (2,000,000) = Kenya shillings 2,000 + 2,005 stamp duty on Memorandum and Articles of Association, thus bringing the total to Kenya shillings 4,005 (€40, 05). We began by collecting four forms from the Kenya Revenue Authority at Times Towers building. Two copies go to the Lands Registry; retained one and send the other for safe keeping by the bank (In our case; National Bank of Kenya ltd).
4. Declaration of compliance: Signed by a commissioner of oaths (a lawyer) on our behalf.
5. File Deeds at Registrars office: We then filled all these documents with the Companies Registry.
6. This includes the memorandum and articles of association. There is a varied fee attached to this.
 - Register for a Personal Identity Number, VAT & PAYE (Pay As You Earn) tax: This takes a day to register at Times Tower and is free.
 - Register for NHIF: NHIF stands for National Hospital Insurance Fund. This is mandatory medical contribution for all employees of a company.
 - Register at the NHIF building.
 - Register for NSSF: NSSF stands for National Social Security Fund. It is mandatory contribution for employees' retirement fund. Registration is done at the NSSF building at the bottom of Valley Road, Nairobi.

- Register for a Business Permit: This application is made to the City council. One must have secured office space prior to submitting this application. Our company will be based at the address “Mombasa road 21” in Nairobi.
7. Get the Company Seal. This is the last bit. A good quality company seal can be obtained from Seal Honey Stationers in Nairobi, who are specialists in office stationery and stamps. [16]

4.2 Export Policy Commitment Statement

“Chai Bora” limited did a preliminary study by comparing several target markets and chose Finland as the market to which to export its tea product. The company will then undertake the export of processed tea from Kenya into Finland. Four consignments will be exported every year which translates into one consignment every three months.

A local distributor by the name “Kesko” chain of shops and supermarkets has been chosen as the distributor of the tea in Finland. This means that “Chai Bora” limited will sell the tea to “Kesko” which will then distribute it as its own through its chain of shops and supermarkets. A profit and loss account for the venture has been drawn for a period of one year. It shows that the venture is profitable, since it managed to return a profit of € 5004, 15 for the period ending December 31st 2009.

4.3 Financial Resources of the Company

The company “Chai Bora limited” has a registered capital of €200000 made up of €20000 equity and €180000 loan from the National Bank of Kenya. The bank loan was guaranteed by the Kenya Export Promotion Council which supports upcoming entrepreneurs both financially and with investment advice.

4.4 Marketing Component

4.4.1 Identifying, evaluating and selecting the target market

“Chai bora” limited was registered in Kenya so as to market Kenyan tea to Finland. In order to choose the target market, the company carried out a research into the tea market in the world among the top tea consuming countries. The research narrowed down to Scandinavia which includes; Denmark, Finland, Norway, and Sweden, which are some of the highest tea consumers and also have a market potential to absorb new tea products.

It then was decided that Finland was a best market to make an entry before spreading to the other countries in the region. This is due to the fact that despite being a top consumer of coffee, Finland ranks far below other countries in the region when it comes to tea consumption per capita. However, a walk around the supermarkets in Kontula area of Helsinki city by this writer revealed a large variety of tea brands in the shelves. This shows that there is still an absorption capacity for a new tea product in the market, and thus with a proper marketing strategy one can strike a profit.

4.4.2 Product selection

Kenya tea produced and packaged by the Kenya Tea Packers (Ketepa) limited was chosen as the export product due its high quality and demand all over the world.

There is also an excess capacity in tea production in Kenya which guarantees a steady supply for export. Ketepa Tea bags is a selection of tea with finer granules, which allow for fast and maximum infusion. Packed in 2gm filter bags, the tea bags allow the consumer to conveniently enjoy the best quality tea. Ketepa has invested in state of the art sealing and packaging machinery that provides hygienically sealed tea bags. The tea is then packed in bigger packets bearing 100 tea bags and weighing approximately 440g (0.440kg).

4.4.3 Product Pricing

A Ketepa packet of 100 tea bags retails for \$5.99/ € 3.40 on the international market. This is according to the exchange rates on 06/11/2009. Ketepa sell it for €1.70 which is the cost price offered to “Chai Bora” limited. Having bought the tea for € 1.70 from ketepa, the company will then proceed to add a mark-up on cost of 35% so as to cover for its profits.

This will bring the price to;

$$\begin{aligned} &= 1.70 + (35\% \times 1.70) \\ &= 1.70 + 0.595 \\ &= € 2.295 \\ &= \text{approx. } € 2.30 \end{aligned}$$

This is the price which “Chai Bora” will offer to Innex Company as the buyer of its tea. Assuming that Innex will add a further 20% sales margin so as to arrive at the final price to be offered to the consumer at the supermarket,

That price should then be;

$$\begin{aligned} &= 2.30 + (20\% \times 2.30) \\ &= 2.30 + 0.46 \\ &= € 2.76 \end{aligned}$$

4.4.4 Distribution methods

Due to the procedural requirements of registering a business in Finland whereby the forms have to be filled either in Finnish or Swedish languages, we have decided not register a company in Finland. Instead we will market our tea through the SOK chain of businesses which includes the S-markets, Alepa, Prisma, Sale, Sokos, and ABC-gas stations as its selling points. According to a field research which carried out by this writer through a questionnaire and answered by Mr. Tomi Hakulinen in November 2009, the chain group buys its tea from various suppliers both in Finland and abroad. (Tomi Hakulinen is the purchasing and logistics officer at the parent company Inex, e-mail; tomi.hakulinen@inex.fi). However, they do not source any tea from Kenya at the moment.

Conclusion

Formation of the company to carry out the export business was essential since such transactions are best performed by limited liability companies. However, it was not easy to register a Kenyan based company when resident in Finland as the author relied on associates and most of the time information was not forthcoming.

CHAPTER 5: “CHAI BORA” LIMITED EXPORT PLAN

5.1 Introduction

A company by the name “Chai Bora” Company limited has been registered in Kenya which will undertake the export of tea from Kenya to Finland. “Chai Bora” is a Swahili word meaning “tea is good!” All the necessary registration procedures were carried out with the registrar of companies in Nairobi Kenya and all registration expenses paid in full. The company is expected to have enough supplies for export owing to the fact that there is always excess capacity for export since Kenya is the 4th largest tea producer of black tea in the world after India, China, and Sri-Lanka.

5.2 Export Policy Commitment Statement

The mission of Chai Bora limited is to provide quality tea products to Finland's retail market. Our company is willing to utilize necessary resources to ensure the success of our import/export venture. Chai Bora is also committed to providing in-depth service to this market in terms of assistance in distribution, advertising, and promotion.

The overall goals are to:

- Develop long-term relationships with the wholesalers and resellers in Finland
- Successfully compete in the Finnish market

The short-term goals are to:

- Secure contracts with major wholesalers in the Finnish market
- Develop prosperous business relationships with these wholesalers

The long-term goal is to, within eight years:

- Establish a strong market presence
- Obtain a market share of 3 percent

5.3 Situation/Background Analysis of Exporting from Kenya

5.3.1 The Product: Tea by the Kenya Tea Packers (KETEPA) Limited

Most of the tea grown by small scale farmers in Kenya is processed, packaged and blended by the Kenya Tea Packers (Ketepa) Ltd which is one of the largest such facilities in Africa. It produces a million kilograms of tea bags and 15 million kilograms of loose tea annually, with 95% of the tea packaged by Ketepa being sold locally in Kenya and the remaining 5% exported. Its most popular brand is known as the “Fahari ya Kenya”- Swahili language for “The pride of Kenya” which is sold both locally as well as exported to other east African countries. [17]

5.3.2 Export Organization and Operation: The Kenya Export Promotion Council (EPC)

The Kenya Export Promotion Council is the main institution responsible for the development and promotion of export trade in Kenya. It was established in 1992 with the main objective being to look into and address the problems facing producers and exporters of both goods and services. Over the years, the EPC has embraced the mandate of co-coordinating and harmonizing export development and promotion activities, thus providing leadership to all national export programmes in Kenya.

5.3.3 Guidelines for Exporting From Kenya

There are certain legal and administrative guidelines/requirements which must be met before one is allowed to export any commodity from Kenya to another country as stipulated by the Kenya Export Promotion Council (EPC). Since we intend to import tea from Kenya to Finland, the EPC will assist in the following areas as part of its main objective of export development and promotion;

- Getting started
- Market Research
- Export Financing
- Market Access

5.4 Financial Resources of the Company

The company “Chai Bora limited” has a registered capital of €200000; made up of €20000 equity and €180000 loan from the National Bank of Kenya. The bank loan was guaranteed by the Kenya Export Promotion Council which supports upcoming entrepreneurs both financially and with investment advice.

5.5 Marketing Component

5.5.1 Identifying, evaluating and selecting the target market

“Chai Bora limited” was registered in Kenya so as to market Kenyan tea to Finland. After a series of research studies into the tea market in Scandinavia which includes; Denmark, Finland, Norway, and Sweden, it was decided that Finland was a best market to make an entry before spreading to the other countries in the region. This is due to the fact that despite being a top consumer of coffee, Finland ranks far below other countries in the region when it comes to tea consumption. However, the large variety of tea brands in the supermarkets shows that there is still an absorption capacity for a new tea product in the market.

5.5.2 Product selection

Kenya tea produced and packaged by the Kenya Tea Packers (Ketepa) limited was chosen as the export product due its high quality and demand all over the world.

There is also as excess capacity in tea production in Kenya which guarantees a steady supply for export. Ketepa Tea bags is a selection of tea with finer granules, which allow for fast and maximum infusion. Packed in 2gm filter bags, the tea bags allow the consumer to conveniently enjoy the best quality tea. Ketepa has invested in state of the art sealing and packaging machinery that provides hygienically sealed tea bags.

The tea is then packed in bigger packets bearing 100 tea bags and weighing approximately 440g (0.440kg) like the sample one shown below;



Figure 5.1: A ketepa pride tea packet bearing 100 tea bags

Such a packet retails for \$5.99 (€ 3.40) on the international market as per the exchange rates on 06/11/2009 and Ketepa sell it for €1.70 i.e. the cost price offered to “Chai Bora” limited. [18]

5.5.3 Product pricing

Having bought the tea for € 1.70 from ketepa, we then proceed to add a mark-up on cost of 35% so as to cover our profits.

This will bring the price to;

$$\begin{aligned} &= 1.70 + (35\% \times 1.70) \\ &= 1.70 + 0.595 \\ &= € 2.295 \\ &= \text{approx. } € 2.30 \end{aligned}$$

This is the price we shall offer to Innex Company as the buyer of our tea.

We further assume that Innex will add a further 20% sales margin so as to arrive at the final price to be offered to the consumer at the supermarket.

That price should be;

$$\begin{aligned} &= 2.30 + (20\% \times 2.30) \\ &= 2.30 + 0.46 \\ &= € 2.76 \end{aligned}$$

5.5.4 Distribution methods

Due to the procedural requirements of registering a business in Finland whereby the forms have to be filled either in Finnish or Swedish languages, we have decided not register a company in Finland. Instead we will market our tea through the SOK chain of businesses which includes the S-markets, Alepa, Prisma, Sale, Sokos, and ABC-gas stations as its selling points.

5.6 Action steps: Target Countries and Market

5.6.1 Finland Tea consumption as compared to the major world tea consuming countries

The table below shows the consumption of tea by the leading countries in Europe, Canada and America:

Table 1; showing latest available data

Rank	Countries	Amount ▼
1	United Kingdom	2.3 kgs
2	Ireland	1.5 kgs
3	New Zealand	1.0 kgs
4	Japan	0.9 kgs
5	Netherlands	0.8 kgs
5	Australia	0.8 kgs
7	Germany	0.7 kgs
8	Norway	0.4 kgs
8	Switzerland	0.4 kgs
8	Sweden	0.4 kgs
11	Austria	0.3 kgs
11	Finland	0.3 kgs
13	United States	0.2 kgs
13	Canada	0.2 kgs
13	France	0.2 kgs
13	Denmark	0.2 kgs
17	Belgium	0.1 kgs
17	Italy	0.1 kgs
	Weighted average:	0.6 kgs

For comparison purposes, below is the weighted average consumption per person for the competitor beverage, coffee within the same countries, showing latest available data.

Table 2; showing latest available data

Rank	Countries	Amount ▼
1	Norway	10.7 kgs
2	Finland	10.1 kgs
3	Denmark	9.7 kgs
4	Sweden	7.8 kgs
5	Netherlands	7.1 kgs
6	Switzerland	7 kgs
7	Germany	5.7 kgs
8	Austria	5.5 kgs
9	Belgium	5 kgs
10	France	3.9 kgs
11	Italy	3.2 kgs
12	United States	3 kgs
13	Canada	2.4 kgs
14	Australia	2 kgs
15	Japan	1.4 kgs
16	United Kingdom	1.2 kgs
17	New Zealand	0.9 kgs
18	Ireland	0.7 kgs
	Weighted average:	4.9 kgs

Definition: Kilograms of tea and coffee consumed per person per year, 2002.

Source: Global Market Information Database, published by Euro monitor via Nation Master. [19]

5.6.2 Analysis

These comparative data tables help us to analyze the Finnish beverage market between the two leading hot beverages of coffee and tea. It enables us to gauge consumer preferences and see whether there is a market for a new tea product which we intend to introduce. According to the table 1, the weighted average consumption of tea per person in the selected countries is 0.6kgs. In Finland, the average consumption per person is 0.3kgs which is way below the group weighted average. On the other hand, Finland ranks as a top most consumer of coffee second only to Norway. The average coffee consumption per person in Finland is 10.1kgs almost twice the weighted average of 4.9kgs per person for the group. We can thus see that

coffee is the most popular beverage in Finland far out-passing tea. However, there is still a market for tea products especially those of high quality as proved by the large number of tea brands in supermarkets.

5.7 The Export Forecast Budget

The following is the financial forecast of the proposed company in the form of a profit and loss account statement for one year. The explanations to the numbers will be given later on in the report.

5.7.1 Profit and loss account forecasts

**Chai Bora limited,
Profit and loss account for the year ended December 31st 2009**

Sales	(18308 x 4 x 2, 30)	168433, 60
Less Expense costs;		
Consignment cost; (18308 x 4 x 1, 70)	124494, 40	
Shipping (freight)	1206, 00	
Laboratory testing	490, 00	
V.A.T @ 17%	21164, 05	
Transport to warehouse (100 x 4)	400, 00	
Warehouse (storage) rent; (878, 75 x 12)	10545, 00	
Advertisements	<u>5130, 00</u>	<u>163429, 45</u>
Profits for the year ended 31 st /12 /2009		<u>5004, 15</u>

Note; All expenses are calculated per annum.

5.8 The Business idea

Our business idea is to establish a company that will import processed tea from Kenya and market it in Finland. Once imported into Finland, the tea will be marketed through the SOK group of companies which owns the K-city market among other subsidiaries. For this purpose, a company by the name “Chai Bora” limited, Swahili for “tea is good” was registered in Kenya and will be responsible for the undertakings.

5.9 Implementation Schedule

All the planning and forecasts have been done for one year since the company has just started its operations. The company intends to be exporting from Kenya to Finland, four containers full of tea every year for the period it will be in operation. This translates into one container every three months which will be sufficient to cover the demand by our customers. However, it is hoped that this volume may be increased in the future once consumers become aware of our product and the market picks up.

CHAPTER 6: IMPLEMENTATION OF THE EXPORT PLAN

This Chapter will look into the modalities and ways of implementing the Export plan. It involves the actual shipment of the tea product from Kenya through the high seas and into Finland. It will thus address both the logistics and administrative aspects of the project.

6.1 Form of transportation: Sea (water) transport

For transportation, the company “Chai Bora limited chose sea transportation due to the fact that the consignment is bulk and the tea is already processed and thus does not run the risk of going stale. Water transport accounts for over 90% of the entire global trade and is ideal for transporting low unit cost non-perishable goods especially over long distances. It includes rivers, canals and oceans (high seas).

The following are some of the advantages and disadvantages of water transport;

Advantages;

- I. It optimizes economies of scale whereby large amounts of goods can be moved at low unit costs.
- II. It's appropriate for long distance journeys especially whereby the goods ferried are of a low cost non-perishable nature.
- III. It is suitable for products with long lead times whereby urgency is not an issue.

Disadvantages;

- I. It is quite slow because it needs time to consolidate loads and move them to the port.
- II. It is difficult to monitor the exact location of goods in transit.
- III. There are Customs and Excise restrictions.
- IV. It's inflexible in as far as it is limited to the appropriate ports, i.e. ships cannot go to anyplace like say motor vehicles.
- V. It will still require other forms of transportation like road from the port to the warehouse thus adding on to expenses.

~ From the Book: An Introduction to Supply Chain Management by Donald Waters, Pages 314- 315 [20]

6.2 Volume to be exported (Size of consignment)

All containers intended for intercontinental use have external nominal dimensions of:

Table 3

Length	----- 9.8125 feet (2.991m) as 10 feet; 19.875 feet (6.058m) as 20 feet; 29.9375 feet (9.125m) as 30 feet; and 40 feet (12.192m)
Width	----- 8 feet (2.438m)
Height	----- 8.5 feet (2.591m) and 9.5 feet (2.896m)

[Source: <http://www.export911.com/e911/ship/dimen.htm>]

The 20 feet (20') and 40 feet (40') containers are very popular in ocean freight. The 8.5 feet (8.5') high container---8 feet 6 inches (8' 6") high container---is often referred to as the “**standard container**” [Quote]. The most widely used type of container still remains the “**general purpose (dry cargo) container**” with a nominal length and height of 20' x 8.5', 40' x 8.5', and 40' x 9.5'. Container capacity (internal volume) is measured in terms of the total cube a container can accommodate (carry) i.e. cube referring to the total measurement of cargo.

Therefore; Capacity = internal length * width * height.

Capacity may also vary among containers with the same height and length dimensions. For purposes of exporting tea from Kenya to Finland, our company “Chai Bora ltd” has chosen the “general purpose dry cargo container” since it’s important that the tea stays dry while in transit so as to avoid contamination.

The container load capacity is = 20' x 8 x 6 = 960 cubic feet.



Figure 6.1: a General purpose (dry cargo) container (20' x 8.5', 40' x 8.5', and 40' x 9.5'.)

The Ketepa packets holding 100 tea bags are identical to the Lipton tea packets which measure; $16,5 * 15 * 6 = 1485$ cubic centimeters or 0,001485 cubic meters.

We shall use this volume in apportioning container space as opposed to weight since the goods weigh less than 3kgs.

The container volume of 960 cubic feet converted into cubic meters will be;

$$1 \text{ cubic foot} = 0.02832 \text{ cubic meters (According to Google calculator)}$$

Therefore, 960 cubic feet will be;

$$= 960 \times 0.02832$$

$$= 27.1872 \text{ cubic meters}$$

This means that the container has a carrying capacity of;

$$= 27.1872 / 0.001485$$

$$= 18308 \text{ packets (rounded off).}$$

With a registered capital of €20,000, we calculated and found out that it would be a very little sum to start with and approached the National Bank of Kenya limited for a loan of €180,000 which was guaranteed by the Kenya Export Promotion council as part of its duty of financing new export entrepreneurs. This brought our total working capital to €200,000 which is sufficient for a start-up export venture at least for one year.

The total cost per container will be; = Cost price (from ketepa) x Number of packets

$$= €1.70 \times 18308$$

$$= € 31123, 60$$

We intend to be importing a container full every three months (3) which will translate into four (4) containers annually.

The consignment cost per annum will thus be;

$$= 31123, 60 \times 4$$

$$= € 124494, 40$$

We also decided to import packaged tea bags as opposed to loose tea because it is easier to sell packaged tea bags and to a wider customer base. A spot check by this writer at the K-city market (supermarket) Kontula in October 2009 revealed that much of the tea is

packaged tea bags even though some Lipton loose tea is available in 150g yellow label packets. However, we do not rule out the importation of loose tea in the future especially if the business picks up well.

6.3 Freight between Mombasa and Helsinki ports

6.3.1 Freight and Distance calculation

According to the city distance tool calculator on (<http://www.distances.com/distance.php>) the distance between the port of Mombasa in Kenya and Helsinki in Finland by sea is 7,362 Nautical Miles or 13,634.42 km. The entire journey takes a total duration of 25 days 14 hours by ship. We did contact the Kenya revenue authority the body responsible for tax collection which also stores trade statistics via the e-mail; "Tradealert@cbik.or.ke". According to them, the cost of shipping a 20' x 8.5', 40' x 8.5', and 40' x 9.5' container from Kenya to Finland is \$1,800 or € 1,206 as per the exchange rates on 13/11/2009. Included in this cost is the insurance charge for the goods under shipment.

6.3.2 Export Documentation

Incorrect documentation is usually the main cause of export related problems. This may include; a missing certificate of origin, spelling mistakes, and the wrong quantity among others. It results in delayed customs clearance, wasted time, and additional cost expenses. This in turn reduces (eats into) profits, annoys customers and frustrates export staff. Apart from being aware of the required documents, the exporter also needs to know;

- I. The correct language
- II. The right quantity
- III. Required signatures
- IV. The appropriate format
- V. Notary seals
- VI. Consularisation stamps
- VII. Shipping instructions
- VIII. Any documents specific to the particular product

The best sources of information are the customer, the customer's agent, and the freight forwarder being used. Below are some of the documents necessary for an export transaction;

- I. An Invoice
- II. A packing list
- III. Shippers Export Declaration (SED)
- IV. Bill of lading
- V. Certificate of origin
- VI. Payment instrument (letter of credit [LC], Sight draft)
- VII. Health / Sanitary certificate
- VIII. Carnets ("Merchandise Passports.")
- IX. Certificate of insurance
- X. Certificate of quality / Analysis

~ From the Book: Mastering import and Export Management by Thomas A. cook with Rennie Alston and Kelly Raia, page 129 [21]

6.3.2 Import / Export Risk analysis

Based on a theory of logistics, it is important to keep inventory (stock) safe as well as be able to deliver Just in Time (JIT). In order to realize this, the following three elements are required;

- Reliability of suppliers / manufacturers
- Reliability of transport
- Replacement ability

The risks for long distance shipment can be compensated by insurance.

[Qian Lu of Arcada 2003, page 35] [22]

6.4 Import Regulations into Finland

6.4.1 Customs duties

Finland is a member of the European Union (EU) and thus all the rules and regulations of the EU apply to it. The EU has a somewhat liberal trade policy with regards to foreign goods as long as they meet the required /set standards. However, the situation is different in the agricultural sector whereby there are a number of restrictions on foreign farm products due to the Common Agricultural Policy (CAP). This is aimed at protecting European farmers and promoting agriculture in the union.

Since the EU is a free market with no customs barriers and a free movement of goods and people, trade between member countries is without any customs duties and tariffs.

When goods are imported into Finland from a country outside of the EU, then customs duties are calculated Ad valorem (on value basis) on the CIF value of the goods, in accordance with the Common Customs Tariff (CCT).

A telephone call to the Finnish customs department- “Tulli” (Tel: 020690603) by this writer was referred to the “Taric codes” which are used by the EU to calculate duties on all goods imported into the union. According to the Taric codes, Black tea (fermented) and partly fermented tea, in immediate packing of a content not exceeding 3 kg from Kenya is given the code “0902 30” and attracts a 0% import duty. [23]

However, for the first import consignment, the importer has to pay cash €490 for laboratory testing. This amount is standard regardless of the volume imported according to the conversation with the customs officials on phone.

6.4.2 Value Added Tax (V.A.T)

V.A.T (Value Added Tax) also known as “**goods and services tax**” (GST) is a consumption tax (CT) levied on any value that is added to a product. [24]

In Finland, Value Added Tax (V.A.T) is charged at a rate of 17% on all food items including imports into the country. [25]

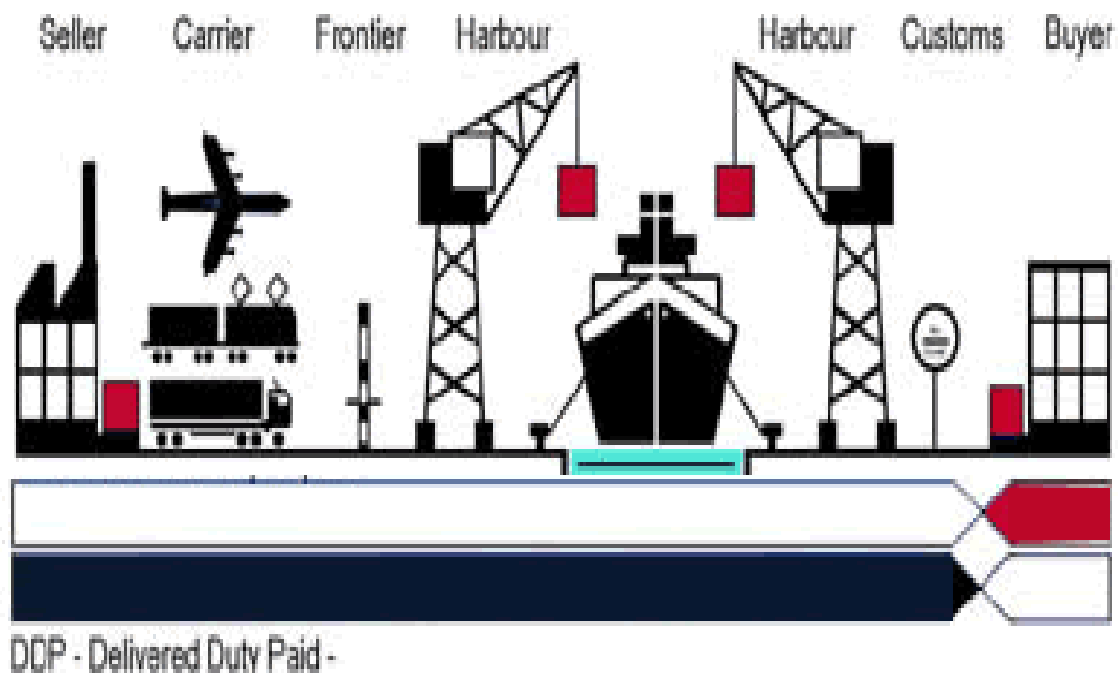
For our consignment valued at 124494, 40 per annum, V.A.T will be;

$$\begin{aligned} &= 124494, 40 \times 17\% \\ &= € 21164, 05 \end{aligned}$$

6.4.3 Delivery Terms: DDP "Delivered Duty Paid"

The goods will be shipped "DDP" i.e. Delivered Duty Paid which implies that the seller will be responsible for the goods from the port of Mombasa all the way until the goods are cleared at the customs at the port of Helsinki. The chart below illustrates the responsibilities of both the buyer and the seller as pertains to the shipment.

Chart 1



Key:

Without guarantee - for details and in case of doubt the wording of the Incoterms applies.



[Source: <http://www.sourcejuice.com/2008/07/15/incoterms-definitions-the-basics-to-the-advanced/>]

6.5 Storage: warehousing

Once the goods have been cleared at the customs, they will be transported for storage to a rental warehouse in Vantaa, address: “Ylästöntie 121 A” which we have rented out.

According to statistics Finland, the cost of transporting the goods from the port to the warehouse for the year 2009 will be based on the 2005 calculation which is € 100.

Prices are reviewed after every five years so the next review will be in 2010. [26]

The warehouse is pictured below:



Figure 6.2 Ylästöntie 121 A, warehouse Vantaa [27]

The following are the details of the rental agreement plus the accompanying costs;

- For rent about 92, 5 m² work / storage premises in Vantaa in Ylästö close to Ring III and Tampere highway.
- The unit has a separate office in the back and a big loading door, easy to load / unload goods via loading platform.
- The shared loading area is also DRIVE-IN accessible from the back of the building.
- Heating and water are included in the rents, electricity is charged separately.
- The unit has the possibility to use shared toilets.

Rents per month will be:

92, 5 m² => 878, 75 € (inclusive of V.A.T @ 22 % / month)

Rents per annum:

878, 75 x 12 = €10545

6.6 Choosing the distributors

Due to the procedural requirements of registering a business in Finland whereby the forms have to be filled either in Finnish or Swedish languages, we have decided not register a company in Finland. Instead we will market our tea through the SOK chain of businesses which includes the S-markets, Alepa, Prisma, Sale, Sokos, and ABC-gas stations as its selling points. The company imports tea from almost all the major tea suppliers who also include two private label suppliers. A “private label” is an arrangement whereby they buy unlabelled tea and label it themselves with brand names such as “Pirkka”. Innex import both loose and packed tea i.e. packaged in tea bags. Import orders are placed at least once every month but this may vary depending on the demand. Supply sources are reviewed at least three times a year though this review is an on going process through out the year, i.e. is subject to situational demands and needs. Suppliers are monitored regularly to ensure; quality, delivery surety, and service level i.e. the delivery of perfect orders (non-damaged goods). The final price to be offered to the customer is calculated based on their purchase price (cost) plus their own profit margin. The most popular brand names among their customers are the “Twinings” and “Lipton” tea brands.

6.7 Brand (market) Positioning

In marketing, “Brand positioning” is the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or Organization. A product's position is therefore how potential buyers see the product, and is expressed relative to the position of competitors. [28]

A brand position in the market is determined by several factors such as; product quality, value, product features, benefits as well as the position of competitors among others. [29] These are the factors we considered while positioning our ketepa tea product on the Finnish market. The price of € 2.76 calculated (page 20) which Innex will offer to the final consumer should be reasonable and competitive. This is informed by an observation done by this writer on the tea prices at the supermarkets in Kontula Helsinki; the cheapest brand is the “Euro shopper” which goes for € 1.24 per a 50 tea bag packet. The “Twinings of London” on the other hand, is the most expensive brand with a retail price of € 4.77 per packet of 50 tea bags. A Lipton packet of 100 tea bags similar to the Ketepa packets we are importing from Kenya into Finland retails at € 4.11 at the K – city supermarket. From this information, it can be seen that our Ketepa tea product will be positioned at the middle and since it is of high quality, we hope that once consumers get to learn of its taste then we can move up-market both in terms of pricing and market share.

6.7.1 Competitor Analysis

Competitor analysis is a method used to understand and monitor the competition existing in an industry. It seeks to answer five (5) key questions;

- I. Who are our competitors?
- II. What are their strengths and weaknesses? (Done through SWOT* analysis)
- III. What are their strategic objectives and thrust?
- IV. What are their strategies? i.e. Short, medium, and long term strategies
- V. What are their response patterns to competition?

6.7.2 SWOT Analysis

A SWOT analysis is a tool for evaluating the strategic position of a business by identifying its Strengths, Weaknesses, Opportunities, and Threats.

Strengths and Weaknesses refer to internal environment factors within the business such as a competent management or limited capital while Opportunities and Threats are external factors such as new markets or stiff competition.

[Mihai Savin of Arcada 2008, pages 23 & 28] [30]

According to an observation walk around in the S-market (supermarket) in Kontula Helsinki in October 2009, the main tea suppliers both in terms of quantity (volumes) and prices are the “Twinings of London” and “Lipton Yellow Label Tea”. These two brands lead both in terms of volumes offered on the shops as well as prices, with Twinings being the most expensive and targeting the up-market while Lipton caters for the middle of the market customers. Both these brands offer a variety of variant brands with “Twinings” offering more than Lipton. From this observation, one can see that Lipton will be the major competitor for our Ketepa tea which will be positioned in the middle of the market in terms of pricing. The Lipton brand was created at the end of the 19th century by Sir Thomas Lipton of Glasgow, Scotland. Over the years, the Lipton business grew in size culminating in a partial take-over by consumer goods company Unilever in 1938, and a final take-over in 1972. [31] Twinings tea on the other hand was founded by Thomas Twining in 1706 and acquired a firm’s logo in 1787, which is one of the worlds oldest in continuous use today. Since 1964, Twinings has been owned by the “Associated British Foods”. The company sells a variety of regional and flavored teas both in Britain and abroad such as Lapsang, Souchong, Lady Grey, Darjeeling, and Earl Grey as well as infusions, coffee, and hot chocolate. [32]

6.8 Placing advertisements in the media

In order to promote our Ketepa tea in Finland, a media campaign is necessary so as to create consumer awareness and interest. It is for this reason that we chose to advertise in the Pirkka magazine which is owned by the Innex group of companies through which we will be marketing our product. The figure in the following page shows the rates payable for advertising in the Pirkka magazine as provided for by the media guide. Pirkka magazine enjoys a wide readership among the shopping class in Finland. It is free of any subscriptions and is readily available in many retail outlets as well as door to door distribution.

Advertising rates in the Pirkka magazine

Size	Amount
2/1	27 740 €
1 1/2	22 470 €
1 1/4	18 310 €
1/1	13 870 €
1/2	9 710 €
1/4	7 280 €
1/8	5 130 €
Back cover	15 675 €

Figure 6.3 Advertising Rates in the Pirkka magazine

[Source: <http://mediaguide.a-lehdet.fi/magazines/pirkka>]

Due to our limited cash budget, we have decided to book the smallest and cheapest advertisement space of 1/8, at a cost (rate) of € 5130. According to A-lehdet the media group which owns the Pirkka magazine, the above rates are per annum (yearly). Since Pirkka magazine is part of the A-lehdet (magazines), the terms and conditions of payments for A-lehdet apply.

Terms of payment:

The customer must make allowance for bad debt with respect to their advertisements.

A-lehdet reserves the right to demand payment in advance.

Terms of payment: 14 days minus 1 %, 30 days net.

Yearly interest on arrears charged at 10 %

Bank details (payment with reference):

A-lehdet Oy/OKO 500001-21911 or

Sampo 800016-1238208 [33]

6.8.1 Point of sale (Advertisement) material

Chai Bora limited in collaboration with Innex, prepared some advertisement material to be placed in the Pirkka magazine as shown below;



Figure 6.4 Advertising material

Image courtesy of the Kenya embassy in Bangkok Thailand;
[\[http://www.kenyaembassy.or.th/agriculture.htm\]](http://www.kenyaembassy.or.th/agriculture.htm)

CHAPTER 7: DISCUSSION

7.1 Introduction

The purpose of the discussion section is to state the author's interpretations and opinions, explain the implications of his/her findings, and suggest future research.

It seeks to answer the questions asked in the Introduction section, as well as explaining how the results support the answers and, how the answers fit in with existing knowledge on the topic. [34] In other words, it is a kind of self-evaluation by the author whereby he/she looks at the achievements as well as the inadequacies of the report. The discussion will thus offer both compliment and critique of the thesis work.

7.2 Experience of making the Export plan

For a company to venture into the export business, an export plan is necessary. It is a strategy that helps a company to focus all its efforts and resources as well as guiding competitive decision making so as to succeed in the export business. It is an honest assessment of a business export potential both in terms of export readiness and the product or service to be offered. Writing the "Export plan" while following a guideline was both a boost as well as a challenge. It is a boost in the sense that it is easier to write according to a set guideline since one only needs to look for information and fix it in literally. On the other hand, it's also a challenge since the information so collected must be relevant to the set format otherwise it will be meaningless. It's not always easy to find information especially on a field as diverse as Export business and more often than not the information one comes across is either inadequate or not relevant to the study.

Another challenge was getting respondents answer to our questions as most people we sought were either unavailable or just uncooperative. However, the author is grateful to the Kenya revenue authority, the Kenya embassy in Stockholm Sweden and Innex for their cooperation and assistance in providing the information sought from them. The information they provided contributed a lot to the making of this report.

7.3 Financial figures

In the thesis report, there have been numerous financial figures which have been used in the calculations, for example the pricing of the Ketepa tea product. These figures are based on the market rates as well as reasonable estimates bearing in mind what the competitors of similar tea products are offering. The gross profit has also been calculated at a reasonable estimate rate of 20%. Others like the rate of V.A.T are the exact rates charged by the Government, while the rates for transport charges are the internationally acclaimed ones. The author also consulted with various websites belonging to different organizations which provided some vital financial figures, for instance the advertising rates in the pirkka magazine are provided for in the official pirkka magazine website. The author has provided the links to all the websites which are a source of such data in the report. All calculations have also been shown and explained in the course of the report as well as in the final profit and loss account statement.

7.4 Achievements of the report

This thesis report was to establish whether it would be profitable to export processed tea from Kenya to Finland. From the deliberations and calculations in the report, the project managed to turn a profit after expenses of well over € 5,000. This is bearing in mind that it was the first time such a project was floated and an attempt carried out.

It goes to show that with proper planning and management, an import / export business dealing in Kenyan tea can be established between Kenya and Finland and with time grow to reward its promoters some handsome profits. The report has therefore opened a new avenue for a business which budding entrepreneurs could use to open up in the import / export business lines in the future. It was easy for the author to obtain some key information due to the fact that he hails from Kenya and is well versed with the Kenyan situation, as well as being able to make contacts easily through family and old friends/associates. Overall, the report has managed to introduce Kenyan tea to the reader in Finland who may henceforth take a keen interest not only in Kenyan tea but also in other goods Kenyan in the future.

7.5 Inadequacies of the report

While this thesis has provided some useful information in an elaborate way, there are still some areas which could have been better addressed. This is so considering that the author relied mostly on information from Kenyan sources while writing from Finland which proved to be quite a challenge given the distance involved between the two countries.

Matters were not made easier by the fact that Kenya does not have an embassy in Finland but is served by the one in Stockholm Sweden. Though the officials at the embassy were cooperative and assisted with our inquiries, it was not always easy like it would be if the embassy was situated in Finland and one could walk in for the consultations.

Another challenge was brought about by the fact that most of the Kenyan websites were either dysfunctional or contained harmful viruses which made accessing information online the more difficult. Getting Kenyan Government officials to cooperate and answer to our queries too proved difficult as many of them pleaded to being busy and lack of time. This is so because of the corporate culture in the country whereby officers are always cautious about giving out company information and more so secrets and would rather they buy time by dragging issues or just play ignorant. It should also be borne in mind that corruption is a major issue in the country and some people are only willing to talk when they have been bribed. This means that they will be uncooperative unless bribed and no information may be forthcoming from them. It's even worse when they happen to be in senior management positions in their respective organizations. However, the problem of company officials unwilling to cooperate was not confined to the Kenyan side as it was also difficult to get company officers especially senior management answer to our questions in Finland. The lack of Kenyan products in substantial amounts in Finland also made it difficult to come up with clear hypothesis and estimates based on existing product comparisons. This suggests a low volume of trade between Kenya and Finland which may act as a disincentive to those wanting to venture into the import / export business between Kenya and Finland as they may feel that it's not a worthy venture especially given the long distance between the two countries. It may therefore take more than a thesis report in order to convince them otherwise.

CONCLUSION

This research study was aimed at establishing whether it would be financially profitable to establish an export business of Kenyan tea into Finland. According to the figures calculated, we started with a working capital of € 200,000 and managed to obtain a profit of well over € 5000 after all expenses including V.A.T.

This is despite the fact that Kenya and Finland are quite a distance apart, actually some 13,634.42 km as calculated earlier (page 37). Accordingly, no major constraints or hindrances were encountered such as of an administrative, legal, or bureaucratic nature. This therefore goes to show that with a proper set-up, sound planning and a good financial management, an import /export business between Kenya and Finland would be a profitable venture worth trying. Since the project has proven that it is possible to export a product (tea) from Kenya into Finland and turn a profit, the same can also be said of coffee or any other mass produced item from Kenya. This report could thus come in handy for those businessmen wishing to start an import /export business between Kenya and Finland or any other country in Scandinavia for that matter.

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Observations

1. Observation at Maharaja Indian shop located at Hakaniemi Helsinki in September 2009
2. Observation at K-City market a super market shop located at Kontula Helsinki in October 2009
3. Observation at S-market a super market shop located at Kontula Helsinki in October 2009

Interviews

1. Interview with Mr. Mumo Matemu the tax and legal services commissioner at the Kenya Revenue Authority (Kenya's tax body) in September 2009
2. Interview with Mr. Tomi Hakulinen the purchasing and logistics officer at Innex Company in November 2009

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- II. Figure 3.2 page 18: A farmer picking tea in Kenya.
- III. Figure 5.1, page 29: A Ketepa pride tea packet bearing 100 tea bags.
- IV. Table 1, page 30: Table 1: Tea consumption by Country
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