

# DOING BUSINESS WITH THE NETHERLANDS



## Experiences of doing business in Lithuania *(from a Dutch perspective)*



Pepijn Bosman

## **My objectives (today):**

- To share experiences in doing business between the Netherlands and Lithuania and to identify opportunities and challenges.
- To emphasize the importance of mutual understanding and to improve knowledge of the demanding but profitable Dutch market.
- To outline Lithuania's great proposition towards Dutch companies (a perfect match?).



# Agenda:

- Introduction
- Dutch entrepreneurs are looking for you!  
*(or why the Dutch need to go abroad)*
- Further internationalization of the (Dutch) production sector  
*(trends & developments)*
- How to acquire and manage your Dutch customer  
*(tips & tricks)*



## Introduction:

- Pepijn Bosman:



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# The Dutch are searching partners to survive!

*(strategic considerations)*

- **Focus** on strength & core activities (best in class mentality);
- Increase **flexibility** & shorten response time (time-to-market);
- Obtain access to (new) **production technologies** (sustainable production);
- Obtain access to and exchange required **skills and knowledge** (to stimulate product and process innovations);
- Increase (skilled) **labor reserve** (shortage of personnel in the Netherlands);
- Assure **alternatives** (risk spreading, avoid single sources);
- Avoid excessive tax, regulations and governmental influence (**level playing field**);
- **Local-for-local** production (of growing importance by need for flexibility and shorter time-to-market);



# The Dutch are searching partners to survive!

*(tactical considerations)*

- Reduction of **operational cost** (reduce the integrated cost price);
- Lower dependency of (expensive or scarce) **capital** (invest less in capital goods, more in innovation & product development);
- Convert fixed cost in **variables** (pay at order);
- The need for **local content** (due to contractual requirements);
- Be **flexible** in (production) capacity (breath with the market);
- Long **lead times** (delivery) in Northwest Europe (rigid by a high level of automation);
- Need for '**low volume, high mix**' production series (flexibility);



# The Dutch are searching partners to survive!

## Why?

To maintain their (international) innovative and competitive edge.  
*(excellent price/quality ratio)*

## The urgency?

Of vital importance to the whole Dutch economy!



## Customer issues:

*(What keeps your Dutch customer awake at night?)*

- **Make/Buy decision:** Shall I make my own part/product or shall I outsource/buy (parts of) it?
- **Integral cost price calculation & optimization:** How do I calculate the real price of procured part/product (landed cost)?
- **Benchmarking of regions:** What are differences based upon several influencers of price and quality (i.e. business cultures, technical competences & abilities, financial matters, geography, tax regulations, availability of resources, etc.)?
- **Supplier selection & supply chain development:** How do I find a good supplier, in a country with an unknown culture and different habits and customs?



## Customer issues:

*(What keeps your Dutch customers awake at night?)*

- **Economies of scale and synergy advantages:** How can I cooperate with other companies in the fields of network sharing, transportation & logistics, (regional) knowledge exchange, joint ventures & partnering?



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# Further internationalization of the production industry:

*(trends & developments)*

- A **renewed/increasing interest** in East/Central Europe vs. Asia;
- More and more **added value** is being required from (sub)suppliers and contractors (outsourcing of more complex parts and/or subassemblies);
- **Expanding EU/Eurozone** (reduced currency and treasury risk enables suppliers to pre-finance raw materials and to increase stock);
- Internationalization of production becomes also for smaller Dutch companies (SME's) a **strategic** part of their business (partnering becomes a core activity);
- The importance of **sustainable** relationships with suppliers increases (in good & bad times);
- The **world** becomes smaller (telecom) vs. customers may be located further away (other side of the world), 'local-for-local' strategies become of greater importance;



## Further internationalization of the production industry:

*(trends & developments)*

- The need for **flexibility** (of product & production) is increasing;
- **Front runners** are being caught up (Czech Republic vs. Slovakia or Lithuania);
- Political/monetary **stability** of partner countries becomes an issue because of the economical crisis (im-, export regulations, protectionism, etc.);
- The world is quite well-known but constantly **changing**, Dutch enterprises demand a faster capitalization of market chances and opportunities (strategic supplier selection);



# Why Lithuania?

*(as based upon my personal experiences)*

- High level of professional **skills and knowledge** (good education and universities);
- Great **communications** and initiative cooperation (teamwork);
- **SME-oriented** economy;
- Not mass production focused, but **added value** driven;
- Sufficient **working capital** available (raw materials on stock, modern machinery, etc.);
- **Export** minded (small country, dependency of the rest of the world > similar to the Netherlands);
- Friendly, **cooperative**, but powerful people (firm believe in own capabilities, what you see is what you get);
- Good **infrastructure** and inland connections (Vilnius is a beautiful city, it is a pleasure to be and travel in Lithuania);



# Why Lithuania?

*(as based upon my personal experiences)*

- Excellent (road) **connections** to the Netherlands (only 1.700 km = 2 day drive);
- The Dutch have a high confidence in Scandinavian companies, a perfect **reference** for many Lithuanian suppliers;
- Acceptable **inflation** (wages);
- Lithuanian companies are relatively **unknown** in the Netherlands, use the Dutch interest in new unexplored opportunities;
- Lithuania is very **different** from central European countries like Poland, Slovakia, Romania, etc. (culture, history, etc.), very useful when making the difference;



# Lithuanian challenges?

*(as based upon my personal experiences)*

- Lithuania is a small country (limited **labor reserve** > increasing wages);
- Limited on **natural resources** (raw materials have to be imported > long(er) lead times);
- De-central **location** within Europe;
- Lithuania is not cheap in comparison to other central European countries (**competitive edge**);
- Lithuania is relatively **unknown**;



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## Identified pitfalls & factors of failure in partnering:

*(as experienced by Dutch managers)*

- A lack of **conviction**, do we really want to partner (doubts, insufficient commitment of the management);
- Start cooperation with the **wrong parts/products**, assemblies or scope of works (too little or too much added value required, no perfect fit);
- The **quality and information** of the issued inquiry is too low (drawings in Dutch, missing details on drawings and customer experience with the product/production);
- Unreal **expectations** (too high) of the (potential) partner at start (also an excellent partner needs a reasonable period to start up);
- **Loyalty** of customer's employees (operational) to existing partners (natural resistance against unknown parties);
- Fear of customer's employees for **uncertainties and changes** (job change or even loss of employment);



## Identified pitfalls & factors of failure in partnering:

*(as experienced by Dutch managers)*

- Customer's discomfort with **communications** (foreign language), travelling or transportation (infrastructure and cultural);
- Building up a profitable relation and cooperation takes time, all parties involved should be prepared to **invest** sufficient time and effort;
- Preconceptions and biased opinions lead to wrong **perceptions and assumptions**;



# Tips & tricks for a jump start in the Netherlands!

*(make sure that you are prepared)*

- **Focus** on what you are good at (adopt a best in class mentality) and communicate this very clearly with your (potential) customers (Dutch companies will appreciate you saying 'no' to jobs you do not feel comfortable with);
- Make yourself **known and findable** at the market (website, trade shows, networking, etc.);
- Use a good **website** indicating what you can offer your customers, not what you have. Don't let the customer wonder what you can do for him, but offer solutions (do not list your machines but show reference products);
- Ask you customer questions and indentify his true **needs and requirements**. Why do they really want to do business in your country and with you (in 75% cost reduction is not the only issue);



# Tips & tricks for a jump start in the Netherlands!

*(make sure that you are prepared)*

- Take the lead in finding solutions and be in your scope of excellence (competence) an equal and professional **partner** for your customer(s);
- Respect your customer's organization and invest in **personal contact** with customer's employees (visit the Netherlands on a regular basis and be proactive in your communications);
- Give your customer time to learn to **know you** and to experience your quality and reliability (the Dutch will increase volumes step by step);
- Emphasize your **USP's** and help your customer to reason why you are the best possible partner for him (everybody want to feel as if they got the best possible bargain);
- Learn your Dutch customer (as much as possible) about your **price calculations** (openness improves the relationship);



# Tips & tricks for a jump start in the Netherlands!

*(make sure that you are prepared)*

- Present your **flexibility**, Dutch companies are very much interested in your abilities to run low volumes with a high mix. It is especially in this range where Lithuania shows its true competitiveness (save on expensive preparations and setup cost);
- Offer **co-engineering/product development**, the Dutch are in this respect very different from the Germans. Dutch companies want to share responsibilities (technical and commercial) and have high expectations from partners;
- **Customer value** is in the Netherlands written in gold, your Dutch customer wants to know that you truly understand him (where is he earning his money with and what is really important for him);
- **Communicate**, communicate and communicate...in the Netherlands you can never communicate too much, only too little and communicate about everything and completely;



# Tips & tricks for a jump start in the Netherlands!

*(make sure that you are prepared)*

- Dutch companies usually strive for long term **relationships**, switching partners is usually expensive and something that companies prefer to avoid. Use that knowledge;
- Lithuania is not cheap but offers a competitive price/quality ratio. It is important to manage your customer's **expectations** (Lithuania is not China and also not Romania);
- **Be proud** of your beautiful country, technical abilities, human resources and excellent organizations and institutions to help you (Enterprise Lithuania, Embassy, etc.);



Co-operation starts with communication,  
and communication begins with meeting people.

It is in meeting each other,  
that one can build trust and confidence:

The essential ingredients  
for a productive & successful co-operation!





**I am a friend of Lithuania,  
Thank you!**

*[www.sbli.nl](http://www.sbli.nl)*

