



Sistema Económico  
Latinoamericano y del Caribe

Latin American and Caribbean  
Economic System

Sistema Econômico  
Latino-Americano e do Caribe

Système Economique  
Latinoaméricain et Caribéen



## Definition, types, characteristics and operation of exporting consortiums

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### Intra-Regional Relations

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# SPAIN EXPORT CONSORTIA



**Workshop on  
Internationalization  
and SME Promotion  
Caribbean  
Consortium**



**8th – 10th July. Santo Domingo**

# SPAIN EXPORT CONSORTIA



## INDEX

### 1. SPAIN ECONOMIC STRUCTURE

- 1.1 Spanish export sector characteristics
- 1.2 Features spanish SMEs
- 1.3 Profile of export spanish SMEs

### 2. COOPERATION AMONG COMPANIES

- 2.1. Advantages of cooperation among companies
- 2.2. Types of consortia
- 2.3. Legal framework for setting up an export consortium
- 2.4. ICEX export consortia programme

### 3. IMORTANT FACTORS IN THE CREATION OF AN EXPORT CONSORTIUM

- 3.1. Success and risk factors
- 3.2. The project developer
- 3.3. International marketing plan
- 3.4. financial economic plan
- 3.5. Operational rules
- 3.6. Manager selection

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**ICEX** is the Spanish Institute for Foreign Trade.

Its mission is to help companies in their internationalization process.



ICEX has its headquarters in Madrid, 31 offices in Spain and 96 commercial offices around the world.



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## FEATURES SPANISH EXPORT SECTOR

- Important trade deficit.  
**Export Figure 2012: 222.643.893 €**  
**Import figure 2012: 253.401.248,81 €**  
**Coverage rate: 87,86%.**
- Geographical concentration of exports.

**70% of exports to European Union countries**

**80% in OECD countries**

**Top destination countries: France, Germany, Italy, Portugal, UK.**

- Concentration of exports in a few industry branches  
**Major export chapters:**
  - 87: Vehicles
  - 84: Boilers, machinery
    - 85: machinery and electrical equipment
    - 27: Mineral fuels
    - 72: Function, leather, steel
    - 39: Plastic
    - 30: Pharmaceuticals**7 chapters represent 50% of total**
- Small number of exporting companies (35,000 companies exporting stable).  
**The top 50 exporters account for the 32% of total export**

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## 1. SPAIN ECONOMIC STRUCTURE

### 1.1 SPANISH EXPORT SECTOR CHARACTERISTICS

- ❖ Trade deficit
- ❖ Geographical concentration of exports
- ❖ Concentration of exports in a few industry branches
- ❖ Small number of exporting firms



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## 1.2 FEATURES SPANISH SMEs

Spanish companies by workforce numbers

With no employees	Microsize companies (1-9)	Small size companies (10 -49)	Medium size companies (50 - 249)	SME'S (0 - 249)	Big companies (+ 249)	Total
1.754.374	1.465.019	172.078	24.843	3.416.314	5.925	3.422.239
51,26 %	43	5,00	0,73	99,8	0,13	100 %



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## 1.2 FEATURES SPANISH SMEs

Evolution of exporting Spanish companies

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012
Number of Exporters	102.385	108.303	109.679	122.987	125.200
Total exports in thousands of euros	188.184.386	158.254.276	185.799.000	214.485.545	222.643.893
Exporting companies for the last 4 years	39.641	39.377	38.778	37.250	39.102
Nº of companies with X $\geq$ 50.000 €	35.485	33.937	35.236	35.702	36.200
Exporting companies for the last 4 years >=50.000 €	22.124	21.583	21.235	20.579	20.800

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## 1.3 PROFILE OF EXPORT SPANISH SMEs

- Small size.
- Scarce International experience.
- Lack of regular export activity.
- Difficult access to funding.
- Weak International human resources structure
- Strengthen Marketing Strategy - Branding almost nonexistent.
- Companies exporting mainly to nearby demanding markets.
- Innovation to be more competitive.
- Difficulties in addressing emerging markets.



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## 2. COOPERATION AMONG COMPANIES

- Export Consortia are based upon the companies need to cooperate in order to develop new projects and strategic alliances.
  
- Alliances focused on foreign markets mean remarkable advantages:
  - Helping companies to jump over new handicaps.
  - Minimizing risks and costs.
  - Boosting international operations.



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## 2.1 ADVANTAGES OF COOPERATION AMONG COMPANIES

- Improve financial and human resources capabilities
- Larger range of products to successfully address new markets.
- Improve bargaining power.
- Expand distribution network.
- Other profitable synergies:
  - Transportation cost reduction.
  - Diffusion of technology and know-how of products.
- Selling abroad allows: open mind, step up in quality assurance process raise, distribution and customer services.
- In short, reduce risk and costs in exporting and accelerate international expansion.



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## 2.2 TYPES OF CONSORTIA

### ● According to the aim of the consortia:

- Promotion Consortium
  - Sales Consortium
  - After-sales service Consortium
  - Purchasing Consortium
- } → Member companies brand
- } → Own consortium brand



### ● According to the characteristics of the members of the consortia:

- One industry branch consortium or several industry branches consortium

### ● According to the trade strategy :

- Origin consortium
- Destination Consortium



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## TYPES OF CONSORTIA



- According to legal form :

To qualify for ICEX support Consortia must be a new economic structure which has legal entity.

The most common:

- Limited Liability Company.
- Economic Interest Group.



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## 2.3 LEGAL FRAMEWORK FOR SETTING UP AN EXPORT CONSORTIUM

### REGULATIONS

In Spain, export consortia do not enjoy of own regulations, so they follow rules of civil and commercial law.





# SPAIN EXPORT CONSORTIA

## 2.3 LEGAL FRAMEWORK FOR SETTING UP AN EXPORT CONSORTIUM

### LEGAL ENTITY VS COLLABORATION CONTRACT

It isn't essential to create a corporation to regulate an export consortium, enough to have a group of people or companies whose commercial activity is governed by a contract.

#### Adoption of legal framework for consortia

Advantages		<ul style="list-style-type: none"><li>❖ Rights and obligations of the participating companies better defined.</li><li>❖ Limitation of liability of members in the event of losses.</li><li>❖ Stronger Image for consortium.</li><li>❖ Requirement for public aid</li></ul>
Drawbacks		<ul style="list-style-type: none"><li>❖ Set most costly obligations.</li></ul>



# SPAIN EXPORT CONSORTIA

## 2.3. LEGAL FRAMEWORK FOR SETTING UP AN EXPORT CONSORTIA

### MAIN LEGAL FORMS - CONSORTIA

#### ■ LIMITED LIABILITY COMPANY

##### Features

- Profit organization.
- Capital exceeding €3,000, which is divided into shares. Shares are numbered and each partner holds them. These are non-participating shares.
- Minimum content of inwards regulations determined by law.
- Organization: General Board - Board of Directors.

##### Partners Responsibility

- Not personal liable for corporate debt

##### Taxes

- Subject to corporate tax.
- VAT taxable for operations done in Spain.



# SPAIN EXPORT CONSORTIA

## 2.3. LEGAL FRAMEWORK FOR THE SETTING UP AN EXPORT CONSORTIA

### MAIN LEGAL FORMS - CONSORTIA

#### ✚ ECONOMIC INTEREST GROUP

Regulated by Law 12/1991 which develops for Spain the U.E laws in this matter.  
It is aimed to group companies which are engaged in the same or related activities to boost in supply or demand the common services provided by them: studies, procurement, sales, etc ...  
Non profit organization since its objective is to develop auxiliary activities to those of their partners, which are themselves profitable activities.

#### Features

- They are non-profit (although they carry on profit activity)
- Its purpose is to develop auxiliary activities to those of their partners.
- Return benefits to its members based on their participation.
- It is created by deed to be entered in the Public Register.
- May or may not have working capital.
- It must have administrators.



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## 2.3 LEGAL FRAMEWORK FOR SETTING UP AN EXPORT CONSORTIUM

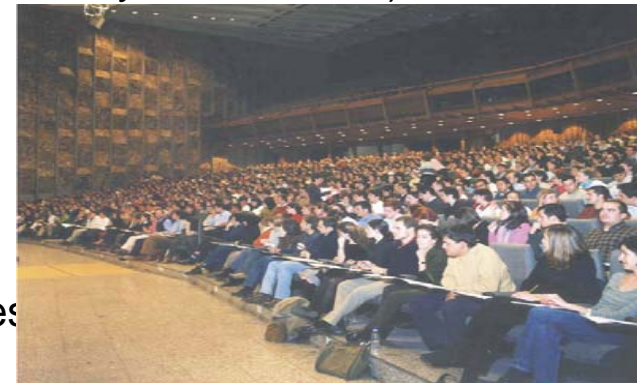
### MAIN LEGAL FORMS - CONSORTIA

#### Liability of partners

- Vicarious liability: each member is responsible for the debts when other members can not pay (outstanding debts after liquidating company assets).
- Joint liability (each member must take personal responsibility for the debts).

#### Tax

- Not taxed on corporate income tax, participating companies do pay for their own companies



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## 2.4 ICEX EXPORT CONSORTIA PROGRAMME

### ● Description

Supports SME's that want to export or promote jointly their products or services in foreign markets.

**Target audience:** Spanish SMEs. The consortia must consist of a minimum of 3 companies. They need to have an equal share (33%). It is possible to have a financial partner (participation not exceeding the company's minimal participation, although it does not get ICEX support)

### ● Financing

**Percentage of aid:** 25% out of eligible expenses.

**Maximun financial aid:** 60.000 euros/year per consortium (has dropped from 100,000 since 2009. Minimis respect EU law no more than 200.000 Euros per company in the three year period support)



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## ● Eligible expenses

### Business structure expenses

- Feasibility Study: carried on before the setting up of the Consortia
- Start-up costs: licensing fees, .... for business startup
- Personnel expenses: wages and salaries for the Consortium manager, only with a work contract. Commissions are excluded.
- Rentals: offices and warehouses
- Professional services: legal, tax, accounting .... In relation with the set up and running of the Consortia.



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## Expenditure on international promotion:

- *Market research:* studies acquired from third parties.
- *Promotional material:* brochures, catalogues, posters, websites ...
- *Advertising:* ad design, translations and media buying.
- *Promotional activities:* tastings, exhibitions, point of sale promotions ....
- *Human Resources:* hiring of P.R. and communication agencies in the target markets
- *Trade:* shows exhibition at trade fairs in target countries for Consortia

Duration: 36 months from the moment the Consotrium has been foundec



# SPAIN EXPORT CONSORTIA

## Conditions:



- Legal entity
- Consortia can be set up in Spain (and may have foreign subsidiaries) or abroad.
  - In Spain, at least 4 companies.
  - In other target countries: 3 companies.
- A company can not participate in more than one consortium for the same market (except if one is a sales consortium and the other is a promotion one).
- A member company can not share capital in other member company.
- A company can not account for more than 33% of the capital

# SPAIN EXPORT CONSORTIA



## Conditions:

- There may be a financial partner (financial institution, marketer, distributor, manager of the consortium) provided its share is less than 33%.
- A full time Manager.
- The consortium must have a three year both commercial strategy plan and viability economic plan. It needs to hand in goals and figures.
- Annual accounts must be reported to the official trade registry.





# SPAIN EXPORT CONSORTIA

## ICEX SUPPORT TO EXPORT CONSORTIA (1985-2012)

Industrial Products	169 Consorcios	34,29%
Food and wines	120 Consorcios	23,76%
Habitat, fashion and other consumer goods	100 Consorcios	20,02%
Services (Cinema, spanish audiovisuals etc...)	115 Consorcios	21,69%

<b>TOTAL</b>	<b>504 Consorcios</b>	<b>100%</b>
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- During 27 years we have supported 504 Consortium and a total of 2.217 companies.
- Most of the consortia have been set up within the food and wines industries and machinery.
- Most of the consortia come from the Basque Country and Valencia

# SPAIN EXPORT CONSORTIA



- 1985-2012: CONSORTIA PROGRAMME – SUMMARY
  - The average number of member companies is 4,4.
  - 90% consortia: Capital Expenditure in equitable parts.
  - 83% consortia: complementary products.
  - Consortia are mainly created in food industry, industrial products and consumer goods.
  - Only 18% consortia mean the shareholders´mainstream export operations.
  - Shareholders look at consortia as a complementary way to foreign trade.
  - 50% consortia are not promoted by shareholders but by an external agent/promotor.

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- 50% of consortia are run under a free management scheme.
- European Union and Latinamerica were the target areas.
- Destination consortia: experienced big companies in international operations joined a consortium to enter & market other countries.
- Consortia arised to seize business opportunities.



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- EXPORT CONSORTIA EFFECT
  - Institutions monitorise whether a consortium remains on duty after the period of public financial support.
  - Taking into account that consortia play the role of “exporting schools” they are considered as a provisional tool.
  - As soon as shareholders learn to export, consortia are expected to be dissolved within 3/5 years.
  - However, a well-managed consortium could have a longer duration and reach ambitious targets.
  - As soon as 1<sup>st</sup>. phase ends and whether different market opportunities arise, the consortium could keep on business with new functions.
  - Reasons for consortia lock out might be low sales figures or over expected success.



# SPAIN EXPORT CONSORTIA



## 3. IMPORTANT FACTORS IN THE CREATION OF AN EXPORT CONSORTIUM

3.1 SUCCESS AND RISK FACTORS

3.2 THE PROJECT DEVELOPER

3.3 INTERNATIONAL MARKETING PLAN

3.4. FINANCIAL ECONOMIC PLAN

3.5. OPERATIONAL RULES

3.6. MANAGER SELECTION

# SPAIN EXPORT CONSORTIA



## 3.1 SUCCESS FACTORS

- Size, economic strength and similar international experience of member-companies in the Consortia
- All partners must have export orientation. Do not think you are going to profit immediately and not use the Consortium to sell production surpluses the member-companies can not sell in their own countries.
- Complementary products. If competitive products, member companies need to reach distribution agreements.
- Similar quality in products sold.
- Similar corporate culture and work philosophy among consortium members
- All consortium partners should agree in selected Manager



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## 3.1 RISK FACTORS

- ✿ Differences in size, product quality and international experience
- ✿ Disagreement on the companies that become part of the Consortia
- ✿ Leadership by one of the members
- ✿ Competitive Products
- ✿ Lack of fiscal transparency
- ✿ Scarce financial resources
- ✿ Lack of insight regulations
- ✿ Uneven results for member companies (one sells more than the others).
- ✿ Differences over objectives and priority markets



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## 3.2 PROJECT DEVELOPER

### ❖ It can be:

- An external organization (Chambers of Commerce, Exporters Associations, Public Administration ...)
- An independent consultant
- Managers who work for any of the member companies

### ❖ Tasks:

- Look for companies that are interested in being part of a consortium
- Keep them inform about set up process and requirements
- Pre-selection of target foreign markets
- Ways of funding
- Search of public financial aid
- Searching for manager





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## 3.3 MARKETING PLAN

❖ Once having identified the companies that are part of the Consortium international marketing strategy will be defined

- Target foreign markets
- Definition of products and services to export
- Identify market segments
- Positioning of products regarding competing products
- Distribution channels for each market
- Policy prices and margins
- Advertising and promotional activities
- Operational organization of the Consortium



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## 3.4 FINANTIAL ECONOMIC PLAN

- ❖ Consortium Feasibility Plan for at least four years
- ❖ Minimum two years in order to reach a sales volume

- ❖ Setting sales goals of the Consortia:

- As a percentage of total turnover or export turnover of the member companies in the country.
- In regard to the total exports of the products to various markets
- As a share of import value of each of the selected markets



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## 3.4 FINANTIAL ECONOMIC PLAN

❖ Sources of funding:

- Social Capital
- Member Fees
- Income from selling
- Public aid
- Banking



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## 3.5 OPERATIONAL RULES

❖ Apart of the Consortia Articles of Incorporation, it's necessary to design internal regulation, that serves to regulate trade relations especially between partners.

- ✿ Production volume that each company is willing to sell through the Consortium
- ✿ Levels of quality requirements
- ✿ Minimum time members should be part of the Consortia
- ✿ Detailed description of products which will market through the Consortia
- ✿ Orders allocation in those consortia whose members market competitive products.



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## 3.5 INTERNAL RULES

- ❖ Dealing with of customers that each company had before joining the Consortium
- ❖ Ability to sell complementary products apart from those of the consortium.
- ❖ Set transfer prices in the case of trading Consortia
- ❖ Conditions for new members
- ❖ Creating a brand or common countermark
- ❖ Benefit Sharing System
- ❖ Bussiness dissolution causes
- ❖ Way management bodies work.



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## 3.6 MANAGER SELECTION

Key factor for the success of the Consortia

### ❖ IDEAL PROFILE

- Higher degree studies
- Additional Training
- Fluent in English and other languages
- Professional senior at least 10 years experience
- Knowledge of industry and products to be marketed
- Knowledge and direct experience in sales
- Ability to negotiate internally with partners
- Management capability



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## 4. EXPORT CONSORTIA EXAMPLES

- CALIDALIA: E-commerce on produced food.
- HORTIBERIA: Fresh Food.
- CHAMO / OFIDE: Office furnishing & hardware.
- ENTER: Logistics.



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- **CALIDALIA**: E-commerce on food.
  - 21 member companies in the food industry (300 trademarks and 40 products).
  - The consortium launched an E-commerce website with operations at the moment in 130 countries.
  - Three different areas: B2B, B2C and B2E.
    - B2B: targeted to ease the buying decision process improving relations with suppliers.
    - B2C: a double communication way between company and consumers.
  - 12 CALIDALIA member companies started up CalidaliaBaltic España, with main office in Tallin, Estonia.





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- **HORTIBERIA:**



- 9 member companies in the fresh food business (fruits, citrics and vegetables).
- A wide range of complementary products (30), a close negotiation with suppliers & farmers, an offer all year long and products trazability as well as other international quality requirements.
- The consortium manager is a well known executive in the spanish fresh food business.
- Negotiation with great customers obliges to open local offices in Germany, Eastern Europe, United Kingdom and France.



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- **CHAMO / OFIDE:**

- 5 member companies in the Office furnishing & hardware business targeted to the Arab Gulf countries.
- After several internal changes and with the 3 years ICEX financial support, 2 showrooms were opened in Dubai and Qatar.
- The consortium is still in progress and trademark has been consolidated.



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- **ENTER:**

- Enter is a consortium focused on the Russian market targeted to control the member companies' logistic operations in Russia.
- Besides the shareholders, other new customers are European companies that assure their logistics in Russia.
- A logistic yard and a local office have been opened for serving customers' operations.

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- **SERRANO HAM**

Created in 1990, brings together 85% of production. 20 associated companies. Among them, large: Navidul, Campofrío.

- ❖ Two areas of action

- 1. Quality Certification**

They have inspectors that go to companies to assess the product (9 months healing, level of fat, water ...). The product is labeled with adequate quality and common seals and packaging. Further maintain its own brand. Only part of the production company has the stamp of quality.

- 2. Generic Product Promotion**

Advertising campaigns in Germany, France, Portugal, Argentina. The product is presented according to the type and consumer tastes.

Linear addition product presentations, etc..

It bears consortia product without company label.

Each company has an annual contribution of 6,000 euros.

