

Business Beyond Borders Episode #3 – Peter Evans, Global Business and Supply Chain Expert

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Guest: Peter Evans

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Cynthia Dearin: Hi everyone and welcome to the Business Beyond Borders podcast. My name is Cynthia Dearin and my guest today is Peter Evans, a global business expert, who has spent nearly two decades helping companies to improve their profits through buying better and selling more. Peter runs the consulting firm Mawson Global and he's worked for some of the world's largest global supply chain experts, including Walmart Stores International, Aldi Stores, Woolworth's and lots of Australian small and mid-market businesses. Peter has established and managed factories in China and Vietnam and he's run sales teams in Asia and North America. Peter, welcome to the podcast.

Peter Evans: Thanks very much.

Cynthia Dearin: Now, you're from Adelaide in South Australia, and you started your international journey back in 2001 when you worked at the family company Nut Farms International. Can you tell us how you got started working internationally?

Peter Evans: Sure. It was really driven out of customer requests. We were a supplier of nuts and snacks to supermarkets and one of the supermarkets in particular was looking for a particular product. To do this, we needed to go back to get as close to the bush or the tree as possible. The particular product that we were looking for was just a new packaging concept and we asked our existing trading partners, agents in Australia, to help us with that product and after

about six months of getting nowhere we just thought, "You know what? We need to really go back to the source and find out what we need."

So that's what took us back into China, it was initially, for a peanut product and interestingly, in that first visit to China I spent a lot of time visiting with different suppliers and then finally found one that we were able to do some work with and as we were finishing up the meeting I said, "Look, we need to do some development work on a new product that I have. It needs to be this peanut, and it needs to be in a certain size packaging, but that's not on the market. They looked at each other and they walked over to the edge of the room and opened a cupboard and pulled out exactly what I was looking for. They said, "Is this what you're after?" They said, "We're shipping that to France at the moment."

What it really taught me is that often it's not about pricing, it's just that the message isn't getting through. We were talking to our agent in Australia, who I'm sure was talking to their agent in Hong Kong or somewhere, who then by the time they spoke to this factory, the message had got lost. We were actually already buying a product out of this factory and we didn't know that. But we saw it out the back when we were doing a factory tour. On one end, I had a new product that I needed for my customer, the factory was already producing it and just by putting those two together, that's how it started. So I guess that's what really started the journey for us in getting back as close to production as possible because then we could pass the messages we needed from our consumers all the way back and get the products they wanted. That was a long time ago and it just taught us a big lesson about cutting out any noise in between and dealing as direct with people as you can.

Cynthia Dearin: Yeah. And at that stage were you only selling in Australia and simply sourcing from overseas, or were you also selling things overseas?

Peter Evans: No, we were just sourcing product out of, initially buying it from local agents in Australia and then this took us back off shore and we ended up setting up three factories in China and one in Vietnam. That was supplying Australian supermarkets. Certainly it was probably not a real plan for us to grow globally, it was just where our customers needed us to be. And for us to be competitive in the marketplace we felt our way was to get as close to the product, as close to the bush or tree as we could.

Cynthia Dearin: And so when you started to expand the business internationally, both from the supply side and then from the sales side, did you find it difficult and, thinking about that, what did you find most challenging.

Peter Evans: Really, the thing that stuck out for us was, 20 years ago there wasn't the social media there is now so communication was a lot more difficult. The

biggest

issue was finding someone who we could really rely on in country to build up from there. Being able to fly in and fly out was okay, but it took us about a year to find the right person and then when we had our own staff on the ground, it really accelerated from there. We've employed a lot of people over time. Having the wrong staff can be really difficult whether you're in Australia or not, but it's just exacerbated overseas. Having the right people, that was probably the thing that was most challenging. Once we got that right everything came a little easier.

Cynthia Dearin: How did you find that first person, that first right person off shore? Because you said it took me nearly a year, so just tell us a little bit about that. That process.

Peter Evans: Sure. It was actually someone who was working for an agent in China. We'd been introduced to this buying agent and we did a little work with them and this person was just outstanding in being at the thoroughness of their work, the ease of communication, but more than anything just dedication to getting a result. I guess we thought the same, and so after a period of time we were very lucky to be able to bring him into our business. It wasn't an executive appointment, it was someone we'd worked with that we were able to bring over onto our own staff.

Cynthia Dearin: Okay. As I mentioned in the introduction to the show, and as you mentioned just a moment ago, you went on to set up factories in China and Vietnam and then to manage those factories. How did that come about and what was the highlight of that process of setting up and then managing the factories? What did you think was the best thing about that?

Peter Evans: Probably the best part was learning so much about a different culture and the way that we're doing business. I was quite young at the time, which was interesting in itself. It was quite difficult to gain a lot of respect touring factories and asking them to respect the young guy out of Australia who was giving them a vision of what was going to happen. The factories we ended up working with believed in it and then it was really the ability to sit with them and go, "This is what we want as an outcome, let's talk together about how we get there." That was quite a different approach to a lot who would go into these factories and say, "This is how you must do it to get this outcome." Where we were saying, "This is what we need as an outcome, let's talk about how we do that together."

It just came down to things about how you lay out a production line. The way I laid my factory in Adelaide, Australia was vastly different to there. So because I

would be looking to mechanize everything I could to remove labor, whereas the payback on labor at that stage in China was multiple, multiple, multiple years. So it really didn't matter. So if I came in and said, "Look, you've got too many people on the line, you've got to do this, this, and this, it just didn't make any sense. So talking about an end product, understanding and really being able to communicate what we needed at the end, and then working together on solutions. So I certainly learned a lot about the different way business is done, but even just different approaches and being able to problem solve and trouble shoot with really smart engineers and managers in a different culture was a real highlight. Never believing in everything's probably pretty important and going in is a really collaborative model and that was great fun. That was what was great.

Probably the thing that was really excellent was, Christmas would come up, Christmas is a really busy time in food, in retail, so our Christmas came a couple of months before Christmas because you had to prepare for it and we had to run 24 hour shifts, and I always seemed to be managing the midnight to 8 a.m. shift. So that was challenging and then when I had factories off shore, I didn't need to worry about who was on the midnight shift, so we could increase our [inaudible 00:09:08] dramatically without needing to be supervising it directly.

Cynthia Dearin: So you went from being a small, kind of somewhat burnt out business owner to somebody who was running a global team and that meant that you could actually sleep throughout the night every night.

Peter Evans: Not every night, but most of the time. So what we found is that, we needed to ... there's things we could do well, which was management, quality control, buying, sourcing, we did that really well. Managing staff shifts wasn't great for us, owning property wasn't something we were good at. So in what we did in those factories was buy the machinery, put the machinery in, establish the management controls over it, and then work with their teams to use their skills in managing labor and organizing the flow-through of that. I guess that's where it's finding the two ways, identifying what you're strong at, which is what we did, and then finding really good partners.

Cynthia Dearin: And what was the driver for you to actually set up those factories that we've talked about. You said one in China and then another in Vietnam. What made you do that and why did you choose China and Vietnam specifically?

Peter Evans: The second question first, why those areas? That was just as close to the bush as we could get, or the tree. In China, it was peanuts and in Vietnam it was

cashews, so trying to get as close back there and cut out ... if we could process near there we could maintain a higher freshness for our product and also we could just control the chain so we were the only ones touching the product. No one else touching it. And then that's why we needed the facilities rather than just relying on someone else. We needed to control that, have really good visibility and control over the product. You know, this was going in people's mouths and it had our name on it. So being there and being able to feel confident that what was arriving on shelf in Australia or the U.S. was what we'd put in the tin, as it were. It was really important for us.

Cynthia Dearin: Now you didn't just do the factory part of the thing, you went further down the train and also managed sales teams in Asia and then things got even bigger and you went to North America. How did that expansion happen? How did that next step happen for you and what was it like?

Peter Evans: It was a little forethought, but not really a lot. We were supplying into Australia, we were doing our products here, and we all of a sudden were able now to even think about doing greater capacity. We had capacity in those factories to do more and we looked at markets and we looked at markets and thought that America was 18 days away from China on a ship, Australia was 23 days, so it couldn't be too hard. So we focused on America, we knew it was a big retail market, and targeted a company that looks similar to who we were dealing with here, Woolworths, and it was a company called Walmart Stores. We just targeted them and tried over about 18 months to get a contract with them to supply a product and we did, which was quite a wild ride.

Walmart's a really big retailer, they had a lot of experience in this space. But in food, in direct sourcing of food they were relatively young and we were able to work with them and met a lot of really smart operators were keen to collaborate, increase their business and increase ours. So that's really where it began from. A beachhead in North America with a big name, which then gave us a name to add on our calling card to go and visit with others in the industries.

Cynthia Dearin: And did you find that Walmart did things very differently to what you'd experienced with a large Australian company like Woolworth's? Was it sort of more of the same, or did you find that with a different country and different culture came a radically different way of doing things?

Peter Evans: Yeah, so we were dealing in Canada and in the U.S. in North America. We did a little bit of work into Mexico. The difference between Canada and the U.S. was quite large as well. It's interesting, even though we may see them as very

similar, the business culture was very different. The culture in Canada was quite similar to Australia. The culture in the U.S. is a lot more competitive. There is a really high emphasis on service, customer service, which then flows through into a good retailer because they want to make sure the customer experience is great. I think we found that. Walmart was probably unique in that it was also a very humble giant in the industry.

We would find that we'd be visiting Woolworth's in Australia, this is 2005 when they were really at the top of their game, and there was quite a lot of arrogance around why we would want to deal with them, whereas Walmart was always very welcoming. We were adding a lot of value to their chain. And keen always to be looking at what's happening next. In fact, every meeting that we had with a buyer wouldn't go past without them saying, "Great. What are you doing for other people? Who's next? Who's the next competition? Who should we be looking out for? It's a different environment. It's a much bigger market. Walmart was about a \$400, I think, or maybe it was \$300 billion dollar retailer. Woolly's was around about a \$40 billion. So here they were, they were leading the world by streaks but they were concerned about who was coming next. And that was really interesting. It kept you on your game. In some ways they were really advanced, in other ways the environment was much behind Australia, so we were able to bring some of the innovations in food quality, food safety from Australia into the North American market.

Cynthia Dearin: Now, in a moment I want to move on and talk about what you do now with Mawson Global, but before I do that I just want to reflect on how things went with Nut Farms. I'm thinking back on that whole experience of growing the business from something small to something pretty large. What do you wish you had known when you started, that you subsequently learned as you went along?

Peter Evans: Yep. Look, I think we did pretty well in finding the right people, and we got a little lucky, which is how we started off. So that's definitely what we learned, is that having the right people and probably understanding that more so when we went into different countries we probably got a little wrong at times. So really understanding how important that was is important for us. The other piece is when you start playing in the global market, you need to be able to show a global mentality and a lot of that comes with capitalization. So funding, making sure you're able to fund your growth in a global market. A lot

of the rules that apply in building a business in Australia are the same, but very quickly it ramps, so you need to have the right partners on board and banks were really helpful with that. That's probably one of the things. Just thinking you can do it yourself got us caught out several times. If you want to

expand, be ready for it to expand quickly and so just have thought that through before you sort of take the first lick.

Cynthia Dearin: Yeah. And on the flip side of that, Peter, what do you think was the most significant factor in making Nut Farms internationally successful.

Peter Evans: Just laser focus on the customer. And that is, understanding who the customer was. The customer was the buyer at the supermarket. We were selling into a supermarket, so understanding what they wanted, knowing your numbers better than anyone else, and that's really why they employed us. Walmart had a thousand staff in China but they used us to buy food out of there. Why was that? Because we could do the numbers better than some of their own staff in China and certainly better than the suppliers in China. Why did they need us there? Yes, it was because we made it easy for them. So understand what your customer needs, and supply that. That was probably the biggest lesson and it's not really a super exciting one. It's common sense. But that's really what set us apart from all the other businesses, and gave us the right and money for providing that service.

Cynthia Dearin: I think that's a really fantastic point, though. And even though it is, essentially, a simple one it's something that frequently gets overlooked because what I see often is that people fall in love with their product instead of falling love with the client and what the client really needs.

Peter Evans: Yeah. I mean, for us it was always very easy to fall in love also with the consumer, which sounds unusual but our customer wasn't the consumer. Our customer was that supermarket buyer, so yes, we had to have a good product on shore. Absolutely. But we needed to supply that customer with what they needed to go to their boss with it at the end of the week in sales numbers, or whatever it was. So any requests they made needed to be answered. So yeah, you need to know who your customer is, and that's the person who pays you. They might be further down the chain that they're getting paid, it's really important to be aware of that. But if we came in and told our buyers what the consumer was telling them and why they needed to deal with us, it wouldn't have worked. It was working on who the customer is, and providing what they need.

Cynthia Dearin: That's really, really interesting. So let's jump forward now and talk about what happened after Nut Farms. When you divested from that business you set up, Mawson Global, which is your current international business, can you tell me a bit about the model and what kind of clients you work with these days.

Peter Evans:

Sure, so in 2010 I was visiting on one of my regular visits in Canada with the Walmart buyers, and we'd had our regular back and forward on pricing and settling for another year, and at the end of the meeting the buyer said to me, "Hey Pete, can I introduce you to someone, the pet food buyer?" I said, "Absolutely. I'm a sales person, that's what I really am, so yeah, I'll take any lead." So the next day we came back and met with the pet food buyer. And I was introduced as, "This is Pete, they do nuts for us every day of the year. But that's not important. They've made Asia easy for us. Now tell them the problem you're having with a certain factory doing fish food for cats." And that really stuck with me, that they didn't care about the Nut Farms brand. They didn't care about our product. We'd made Asia easy for them. Now, certainly, they had a thousand people on the ground in Asia, but for some reason we'd made it easy. So it was our process that was of value.

It turned on a bit of a light bulb for us, so when we exited that business we sold to one of our competitors, we thought, let's see what we can do for Australian business in particular because that's where we lived, making Asia easy for them and providing what we've learnt from the very best in the world and Walmart, Audi, some of those really professional chains, bringing that to mid-size businesses in Australia. Australian businesses are extremely good at global trade, a lot of them. We're used to being on the bottom of the world so we're used to having to jump on a plane and do stuff. We're a lot better at that than the Americans are.

As small to medium businesses, sometimes we just don't have the framework around that to get it right every time. So by bringing those expertise in we have seen some really great successes for Australian businesses who just need maybe a little bit of professionalism on their buying better from overseas, how they get supply chain, sourcing, quality right and then how to break into new markets. Which markets do you target and how do you find out who are your customers so you can pull up.

Cynthia Dearin:

Now at this point in time you've essentially been working internationally for most of your career. What's kept you with it? I mean, what is it about this international thing that keeps you excited and gets you out of bed in the morning?

Peter Evans:

The frequent flyer points. It's all about getting frequent flyer points. So I can turn them into Dyson vacuum cleaners. No, it is, look, I think it's just fantastically exciting. I'm a business builder, I suppose is my set. I get excited about technology but I can't do that. I can do business relationships and for me, where business relationships have been for the last 10 years and will

continue to be using global. So we've done a real good job over the last however long it has been, booting relationships within our country, booting domestic relationships and economies, now economies and the smaller medium businesses and economies are looking globally. So being in that space, or being able to help create those partnerships, help create relationships internationally to me is immensely exciting. Just unlocking value there for both parties. So for the person who is purchasing, and the seller, by being able to get them together, cut out a lot of the noise and middlemen, and just making business happen at mid-tier level, that to me is tremendously exciting. I just love seeing their success stories that are happening out of it.

Cynthia Dearin: And so for people who are listening to the show and possibly considering taking their company international and wondering how difficult it is, and possibly thinking this looks quite challenging, what's your take on it? Is doing business internationally as hard as it looks from the outside?

Peter Evans: No, I don't think it is. Obviously, a whole stack of [inaudible 00:23:41] has changed. What hasn't changed is the business principles that some of our listeners have, absolutely have. You build a business, you've done a great job of building a good, solid business. Those principles apply globally, and probably the most difficult thing is when we forget those and jump on a plane and create relationships, which we never would create in our own city or state, with people that we wouldn't even want to deal with in our own city or state, and then wonder what goes wrong. Making those principles and applying them internationally is the important part. It's a bit more challenging, because obviously it's communication but the basics are the same.

Cynthia Dearin: So, I mean, what do you think has been the most important thing that you have learnt from working with international clients?

Peter Evans: Being international. Every business in Australia is international, and they're affected by the international economy whether they know it or not. So, whether their competitor has started buying direct and therefore has an extra four or five points on margin that they don't have, whether their competitor is able to refit their retail store cheaper than they can, so they can do 2.5 refits every five years instead of two. It is affecting your business and I think that's

really where Australian businesses and whoever's listening to this is, get out and just see the global economy. If it hasn't totally changed your industry, it will in the next 20 years. So I think that's the biggest lesson, is thinking internationally. You may not be at trading overseas, but just see how it's impacting on the flow of customers coming through your door, where they're coming from, where they may have been born, how that's

going to
change

your business, the services they want, and so just, yeah, the biggest thing I've learnt is from people who view the world internationally rather than their small market.

Cynthia Dearin: Peter, that is a great note to finish on. It has been really fascinating having on the show as a guest. I really enjoyed it. I hope we'll have you back here again in the not too distant future, and just thanks for sharing all your expertise with us.

Peter Evans: No troubles. Fantastic. Pleased to be part of it. Thanks very much, Cynthia.

Cynthia Dearin: See you then.