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## DOING BUSINESS WITH GREENLAND CASE STUDY

# Supplier Identification and Sourcing from the United States

## CONTEXT

Greenland, the world's largest island, has a growing economy at 1.1 percent average growth over the last decade.<sup>1</sup> With public financial support from Denmark, Greenland is a high-income country dependent upon the primary sector of fishing, although recently there has been significant investment and growth in the tourism and mining sectors. Historically, Greenland has had close economic ties to Denmark and Europe, but it is increasingly looking to expand its trading partners to support the growing and diversifying economy.

## GREENLAND IMPORT DEMAND

With a one-sided production, Greenland imports a substantial amount of goods and services, ranging in value from 44 to 64 percent of gross domestic product (GDP) over the last decade.<sup>2</sup> Most imports come from European Union (EU) nations. Denmark, Sweden, and Spain were the leading source of imports in 2021, supplying 64 percent, 14 percent, and 12 percent, respectively, of Greenland's imports.<sup>3</sup> In 2021, the United States exported \$13.1 million worth of goods to Greenland, less than 2 percent of Greenland's total imports for that year.<sup>4</sup> As Greenland's import sector continues to thrive, the proximity of the United States produces an opportunity for Greenland to diversify its suppliers, supplementing existing European imports. Established military, education, cultural, and scientific ties between the United States and Greenland form a strong foundation for a deeper exploration of their trading relationship.

In the demand for a wide range of goods and services, Greenlandic companies have seen a steady demand for U.S. brands. As a result, Pikkori Sport and Arctic Star have been buying U.S. goods, some directly from U.S. companies, such as Point6, GoGirl, Arctic Cat, and Western Power Sports, and have been shipping them (typically through Iceland or Denmark) to Greenland, which is not an EU country. Other companies, such as Kamik, use existing business relationships in Canada to access U.S. brands. While some companies in Greenland have successfully navigated a multitude of trade complexities, a discussion of existing trade barriers and keys to success can provide insights to other companies interested in diving into the U.S. market.

### UNITED STATES

**Arctic Cat.** U.S. brand of snowmobiles and all-terrain vehicles (ATVs) bought by Textron Inc. in 2017.

**GoGirl.** U.S. company making female urinary devices to provide women with a freeing, affordable alternative to using the restroom.

**Point6.** U.S. brand designing and producing exceptional quality merino wool products for men and women.

**Western Power Sports.** U.S. distributor of powersports industry brands and products.

1 Trade Map database, [www.trademap.org](http://www.trademap.org).

2 *Imports of goods and services (% of GDP) – Greenland*, distributed by World Bank national accounts data, and Organisation for Economic Co-operation and Development (OECD) National Accounts data files, [https://data.worldbank.org/indicator/NE.IMP.GNFS.ZS?locations=GL&most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/NE.IMP.GNFS.ZS?locations=GL&most_recent_value_desc=true).

3 "Greenland." Observatory of Economic Complexity. October 11, 2022. <https://oec.world/en/profile/country/grl>.

4 Trade Map database, [www.trademap.org](http://www.trademap.org).

## SUPPLIER IDENTIFICATION

Arctic Star and Pikkori were both seeing demand for industry-leading, U.S. brands of outdoor equipment and powersports. Given Greenland's status as a relatively small niche market for U.S. suppliers, the buyers sought to build strong relationships with high-quality and willing suppliers.

In the case of Arctic Star, concentrated consumer demand for snowmobiles led a group of buyers to search for known snowmobile dealers. After specifically reaching out to Arctic Cat, a close business partnership was formed that allowed the buyers to eventually form Arctic Star. Through dealer shows and an authorized distributor agreement, Arctic Cat and Arctic Star have maintained this relationship since 1988.

Through a business strategy of conducting market research on the most in-demand brands in the outdoor equipment world, Pikkori Sport identified large and small U.S. brands among global brands. Pikkori utilized cold emails and trade shows to introduce its company and to explain why Greenland could be the right market for U.S. products. The personal relationship aspect is key to underpinning Pikkori and Arctic Star's successful business dealings with their U.S. suppliers.

Kamik found it easier to rely on its existing Canadian supply chain for U.S. brands rather than sourcing from a U.S. supplier. Kamik's partnership with Ray Fine Enterprises started 30 years ago after Ray Fine agents in the Canadian company's Nuuk office connected with Kamik. Given this established North American trading connection, Kamik had little incentive to identify and manage sourcing directly from the United States.

## IMPORT LOGISTICS

After identifying preferred suppliers, both Pikkori and Arctic Star negotiate price and formalize the relationships, mainly through purchase order agreements. While Arctic Star has a formal contract with Arctic Cat through an authorized distributor agreement, in most cases, there is not the sustained demand for annual contracts. Placing orders on an as-needed basis allows for flexibility and market responsiveness. For both Greenlandic companies, the standard buying and shipping process requires prepayment via Automated Clearing House (ACH) wire transfer or by credit card (a lesser-used option). Once payment is received, the order is packaged and made ready for shipment. It is the responsibility of the Greenlandic companies to arrange freight, shipping, customs paperwork and insurance, and duties. The U.S. suppliers often have preferred shipping rates made available for use, but the buyers often find their own preferred freight forwarding and shipping arrangements to be more favorable. Depending on the size and weight of the shipment, the order is shipped via either air freight (through FedEx or DHL) or ocean freight (through the Icelandic transport company Eimskip). Air freight from the United States can take up to three weeks, while ocean freight can take one to two months to arrive in Greenland.

## BARRIERS TO TRADE

Common challenges create barriers to trade for Greenlandic companies looking to source directly from the United States.

**PROHIBITIVE FREIGHT COSTS.** Priority shipping routes with Denmark and ocean vessel agreements with Iceland make freight from North America, particularly the United States, more expensive for Greenlandic companies. Kamik does not source directly from the U.S. market because it is less expensive to have products shipped from Denmark—even if the products themselves are cheaper in the United States. The complicated freight logistics between the two countries also requires specialized expertise and dealers. The strong U.S. dollar puts additional strain on expensive freight of dollar-denominated imports.

## GREENLAND

**Arctic Star.** Leading snowmobile, ATV, and utility task vehicle (UTV) importer and dealer.

**Kamik.** Part of privately owned Nuuk Købmandshandel, a retailer with grocery shops, restaurants, and gas stations, providing quality and specialty products.

**Pikkori Sport.** A retailer of sporting goods and clothing for adventurers and lifestyle travel experts.



**COVID-19–RELATED SUPPLY CHAIN ISSUES.** Global supply chain slowdowns due to the pandemic have decreased the supply of available products from the United States and have increased already expensive freight costs. Arctic Star saw a 20–25 percent rise in freight costs for its container shipments from the United States in 2021.<sup>5</sup> Additionally, COVID-19–related shutdowns canceled trade shows, thus limiting in-person interactions essential to broaching new business relationships.

**GREENLAND'S SMALL MARKET SIZE.** The smaller Greenlandic market can create more hurdles to doing business with U.S. companies. Freight companies and large brands often have minimum purchase and export volume requirements. Large U.S. brands and franchises are often not convinced that Greenland's market will bring enough profit. Pikkori Sport has experienced large U.S. brands reverting its requests to the European manufacturers and distributors of its brands, which can make products more expensive.

## KEYS TO SUCCESS

Greenlandic companies can take certain steps to successfully initiate business relationships with U.S. brands, buy products, and import to Greenland.

1. **WORK WITH SMALLER BRANDS/BUSINESSES.** Having been turned down by larger brands that saw Greenland as too small of a market, Pikkori Sport reached out to smaller brands, such as GoGirl and Point6. Smaller businesses may be easier to introduce to the market because they are more flexible, typically do not have minimum purchase quantities, and see Greenland as an opportunity to increase their production, sales, and brand name awareness. Point6 views Greenland as part of its growth strategy to establish market leadership and to enter the European market. GoGirl wants to increase its distribution and sees Pikkori Sport as a good option for new market entry.
2. **FIND COMPLEMENTARY BRANDS.** When reaching out to U.S. companies, informing them of brands in Greenland complementary to theirs could further convince them of Greenland's market potential. For instance, a donut shop would complement and encourage business for a coffeehouse and vice versa. Point6 mentions that complementary brands are among the indicators it looks for when investigating a new market.
3. **ATTEND TRADE AND DEALER SHOWS.** Presence at international and U.S. trade and dealer shows are important for Greenlandic businesses to demonstrate interest in target brands and to gain visibility. Bringing a delegation from Greenland with municipal and business representation can lend credibility to sales discussions. The face-to-face interactions can help maintain future business relationships.
4. **ESTABLISH A STRONG ONLINE PRESENCE.** A strong online presence with English language options and e-commerce capabilities offers more to potential business partners entering the Greenland market. GoGirl indicated that it preferred distributors which can further enhance its brand's awareness and recognition in the market.
5. **PREPARE FOR IMPORT LOGISTICS.** As seen in the cases of Arctic Star and Pikkori Sport, prepayment is necessary when buying from the U.S. market. Having sufficient financial processes and working capital to process invoices on supplier schedules will ensure smooth transactions and can reduce shipping delays. Consigning freight forwarders with expertise in shipping from the United States to Greenland and with knowledge of customs requirements will be essential.



5 Arctic Star Director Henrik Sachse, interview by Evan Legé, August 17, 2022.

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