

“Life Beyond Export”

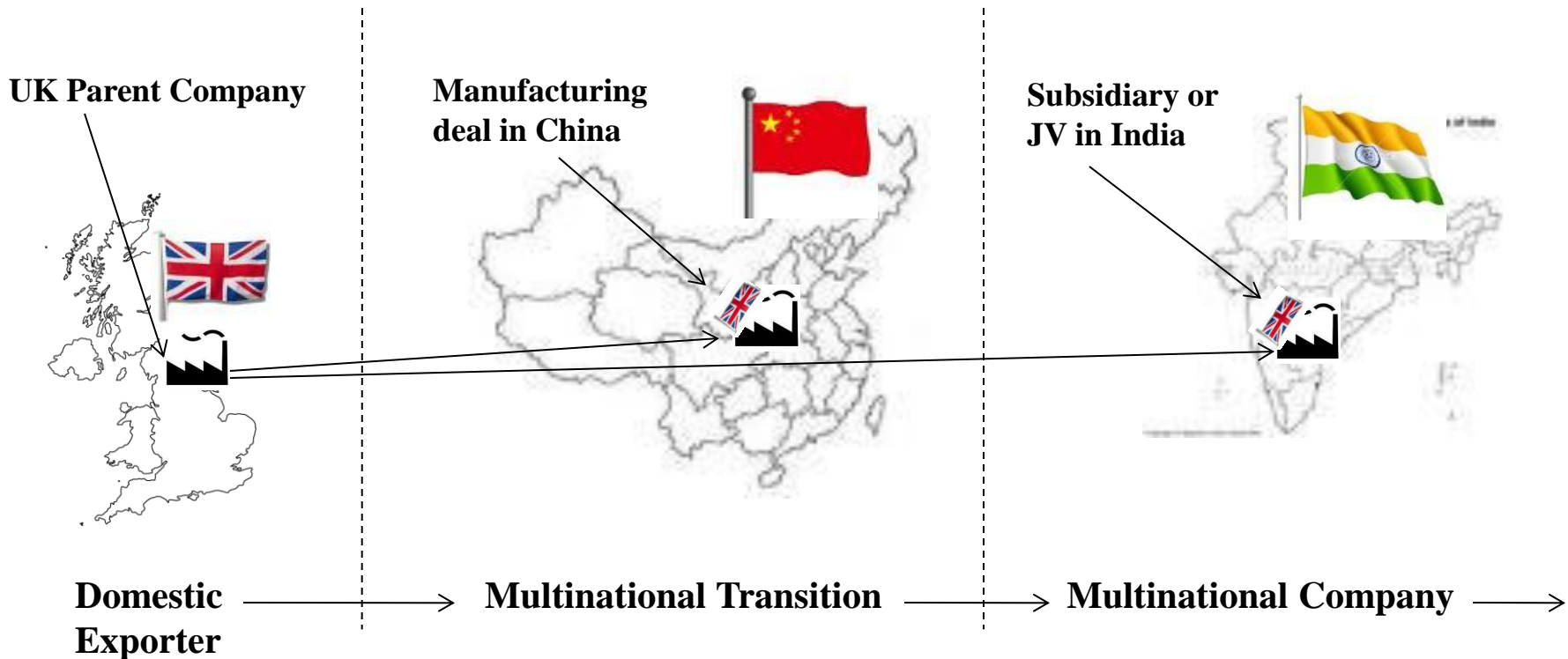
Alternative routes to Global Markets

Gordon Ollivere, RTC North
Beijing, 7 May 2013



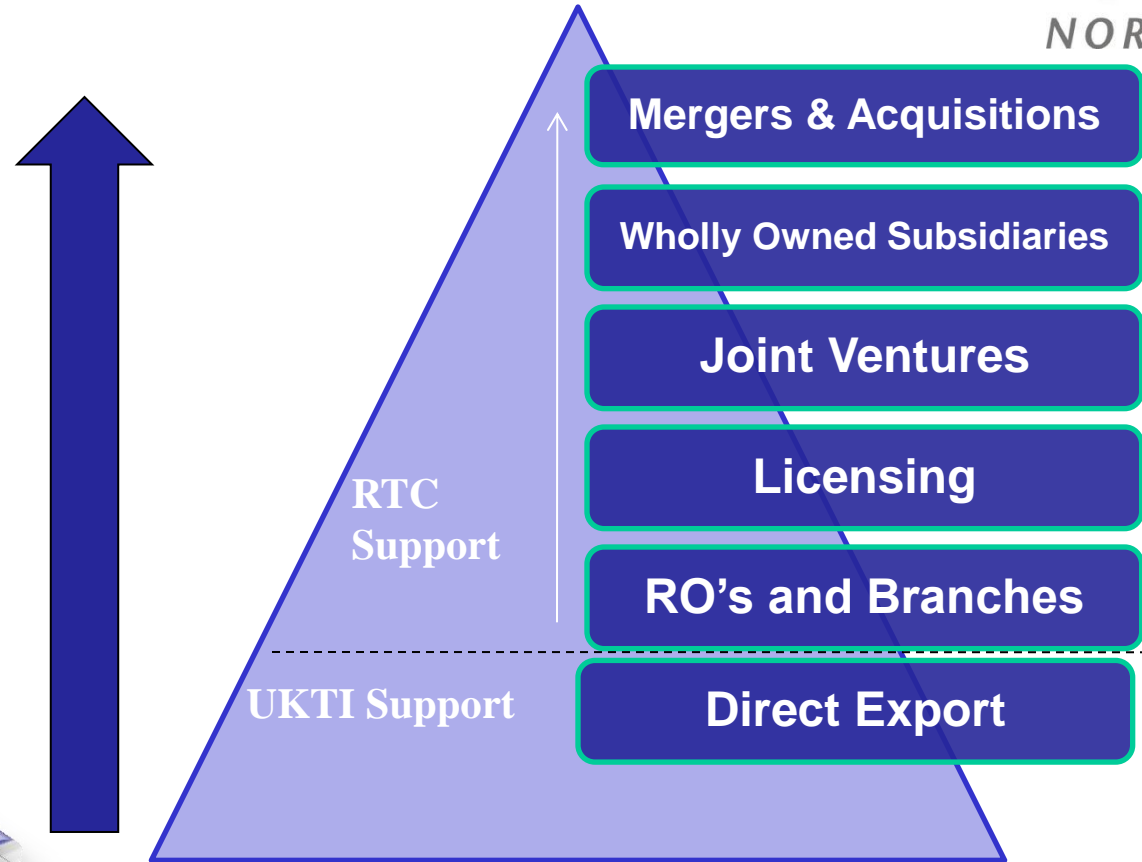
From SME to Multinational Company (MNC)

The Multinational Definition – “Having operations, subsidiaries or investments in more than two countries”



New Market Development Strategies

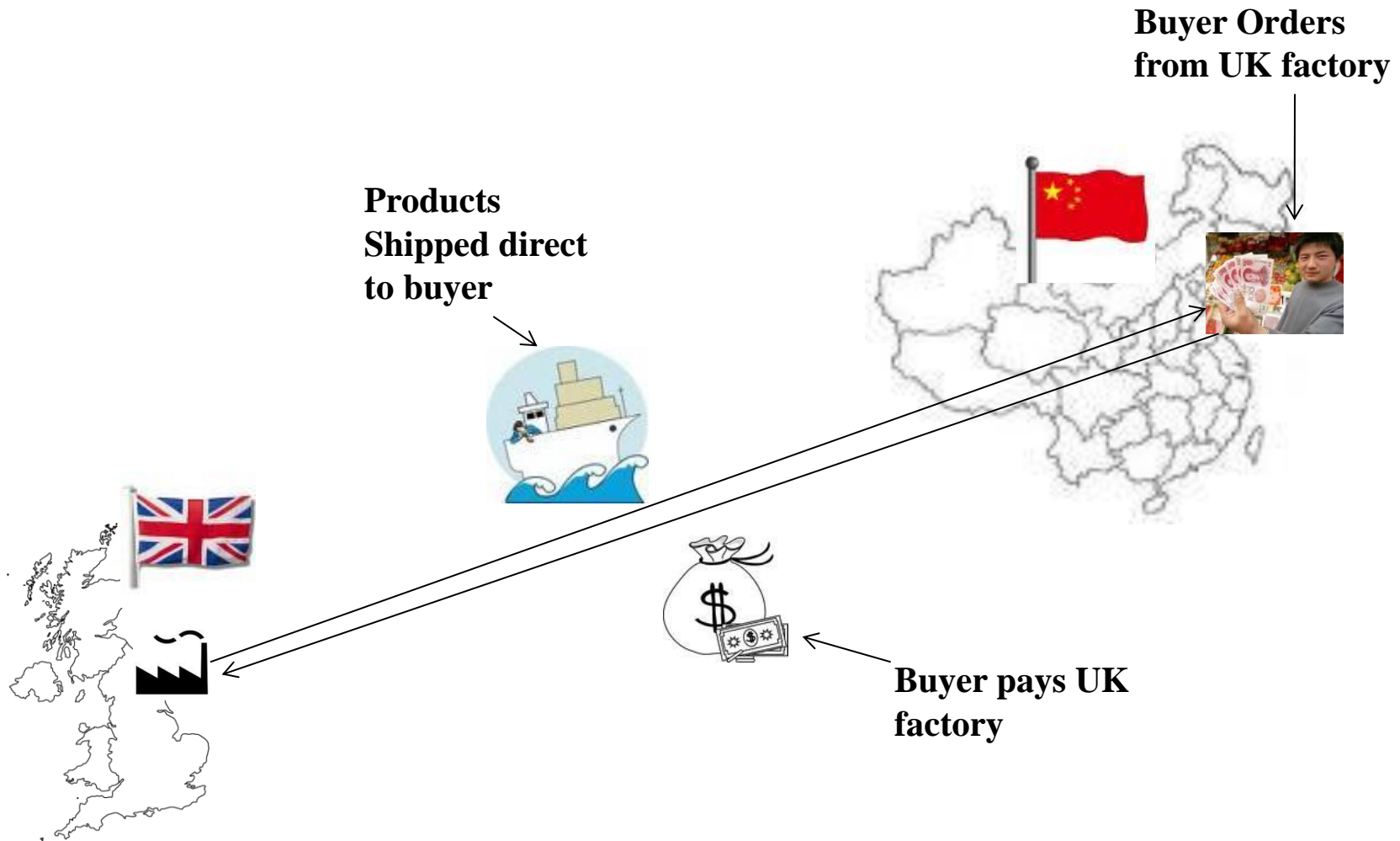
Increasing Risk and Complexity



Principle Stages of Internationalisation

Overview

Direct (Simple) Export Trading with China



International best practice in TT

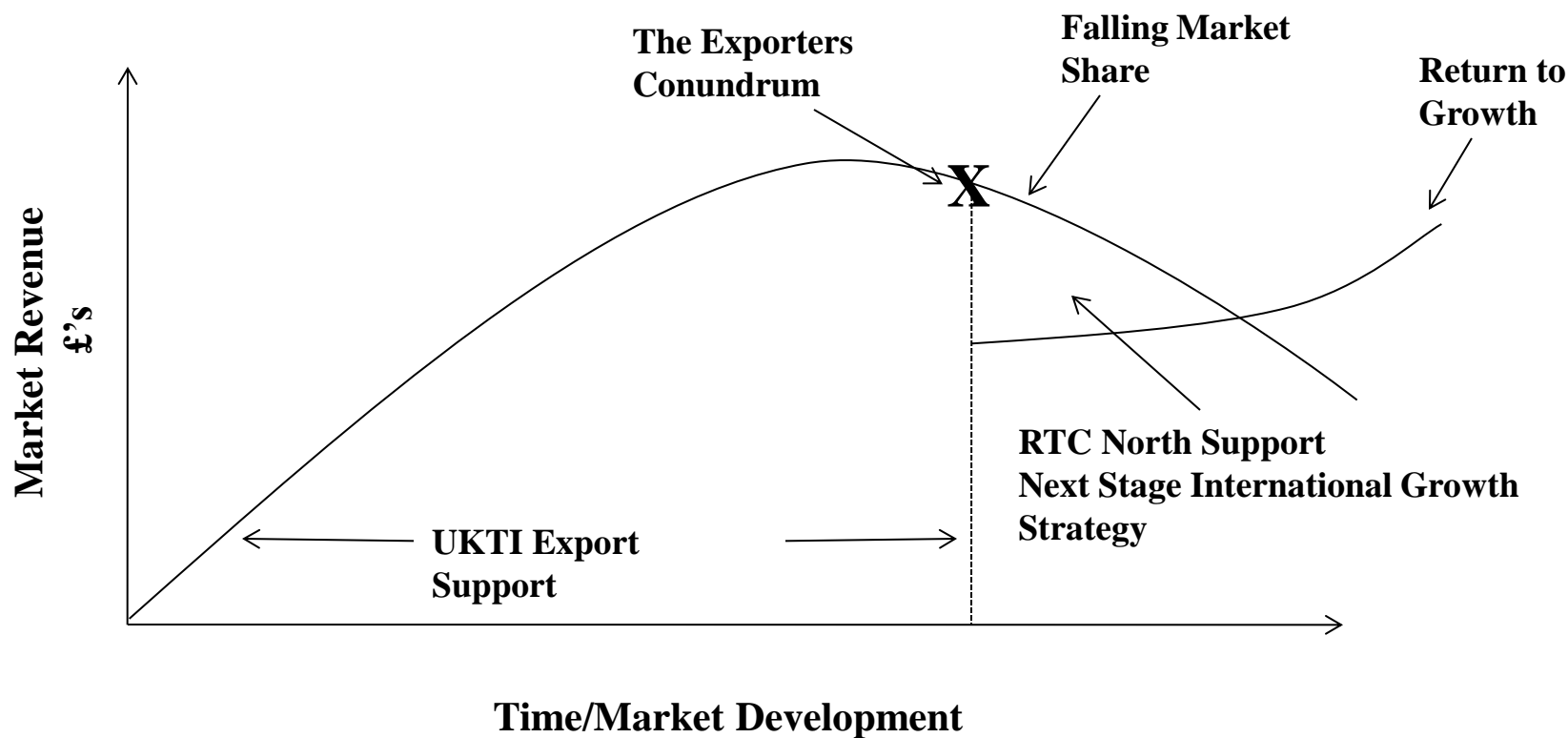
Characteristics of Direct Export

- First step of international market development
- Existing products in new markets
- Products made in UK and shipped to foreign markets
- Direct to buyers or via resellers (distributors)
- Direct selling from UK or via foreign sales agent
- Extended time to market
- Attracts margin pressure – shipment costs, reseller margins etc
- First time and early stage exporters assisted by UK Trade and Investment (UKTI) services

UKTI : Government support for Exporters

- International Trade Advisors (ITA's)
- Passport To Export
- Market Visits to meet the buyers
- Overseas Market Introduction Scheme (OMIS)
- Export Market Research Assistance (EMRA)
- Export Communications Review Scheme (ECRS)
- Trade Fairs and Exhibitions
- Business Opportunity Alerts
- International trade support “with” a country

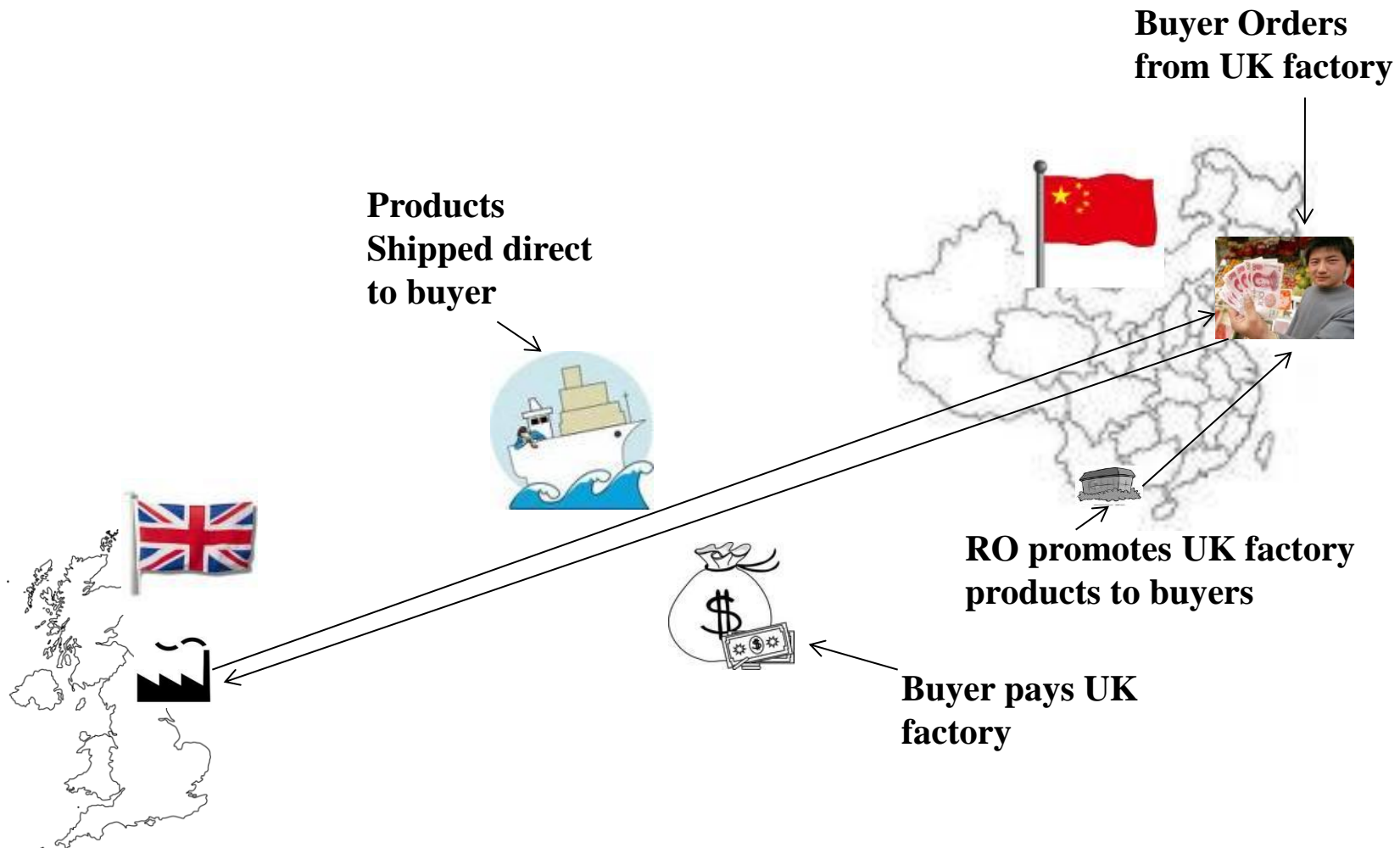
The Exporters Dilemma – Diminishing Export Returns Over Time



What Causes the Exporters Dilemma?

- Increased competition within foreign markets adds price pressure
- Markets become more “sophisticated” over time
- Price pressure reduces margins
- Buyers expectations – Won’t wait six weeks to receive Shipped product from UK
- Increased costs – of shipping, resellers stocking charges to hold product “in market”, foreign government import tariffs
- Buyers demand more physical presence – sales, servicing, warranty..
- Need to develop a new approach to stop erosion of market share –

Representative Offices / Branches Trading with China

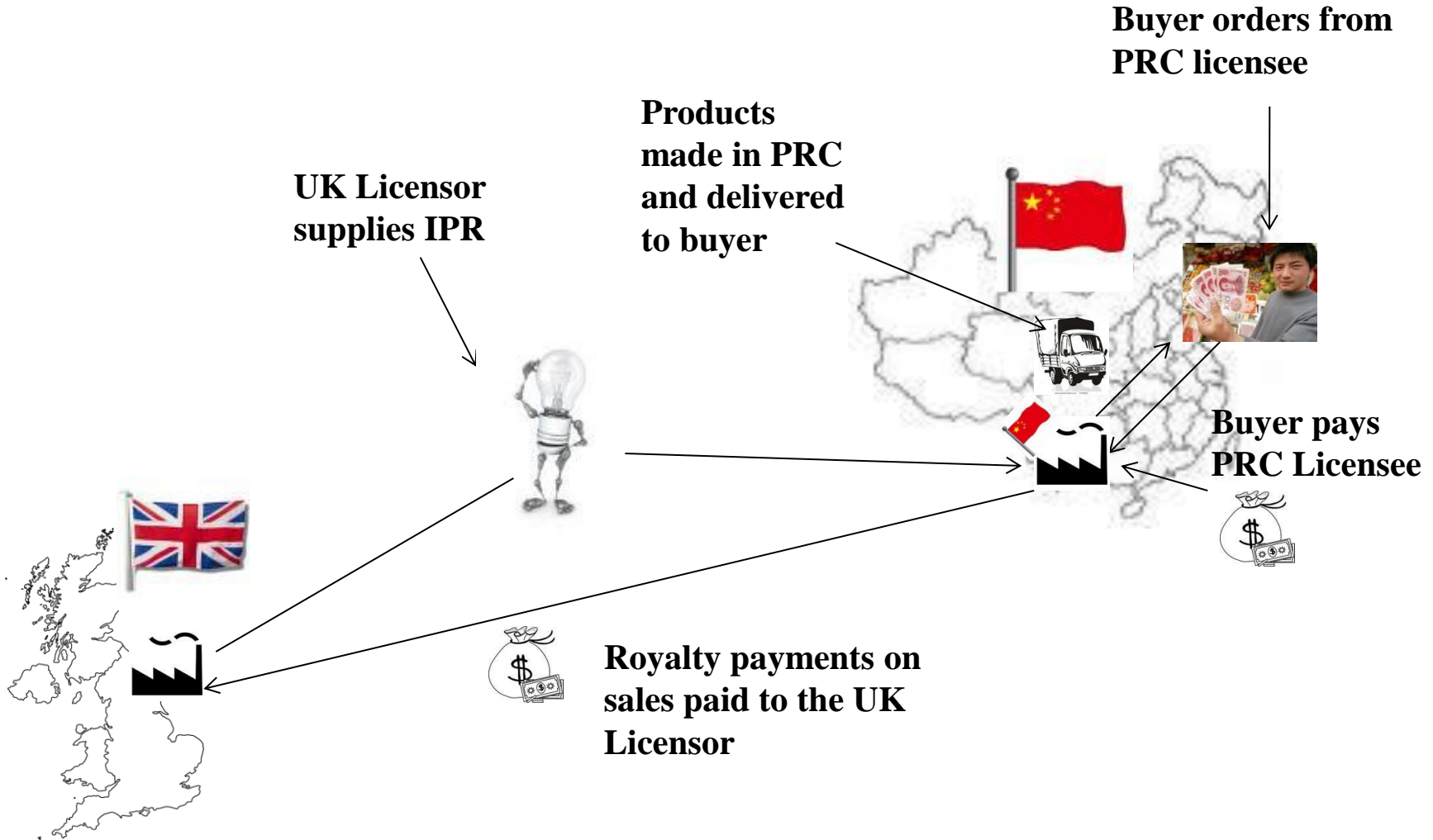


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Characteristics of ROs and Branches

- Manufacturing remains in the UK
- Still 6 week delivery time frame to international buyers
- RO's (Representative Offices) non-legal organised entity to market and promote UK factory in international market
- Cannot take customers orders, trade directly or make a profit
- Must refer international buyers to UK factory to place orders
- Branches may take customers orders, negotiate prices and place on the UK factory
- Can create a cross-border taxable presence (PE)
- Additional market development costs without overcoming the “Exporters Conundrum”

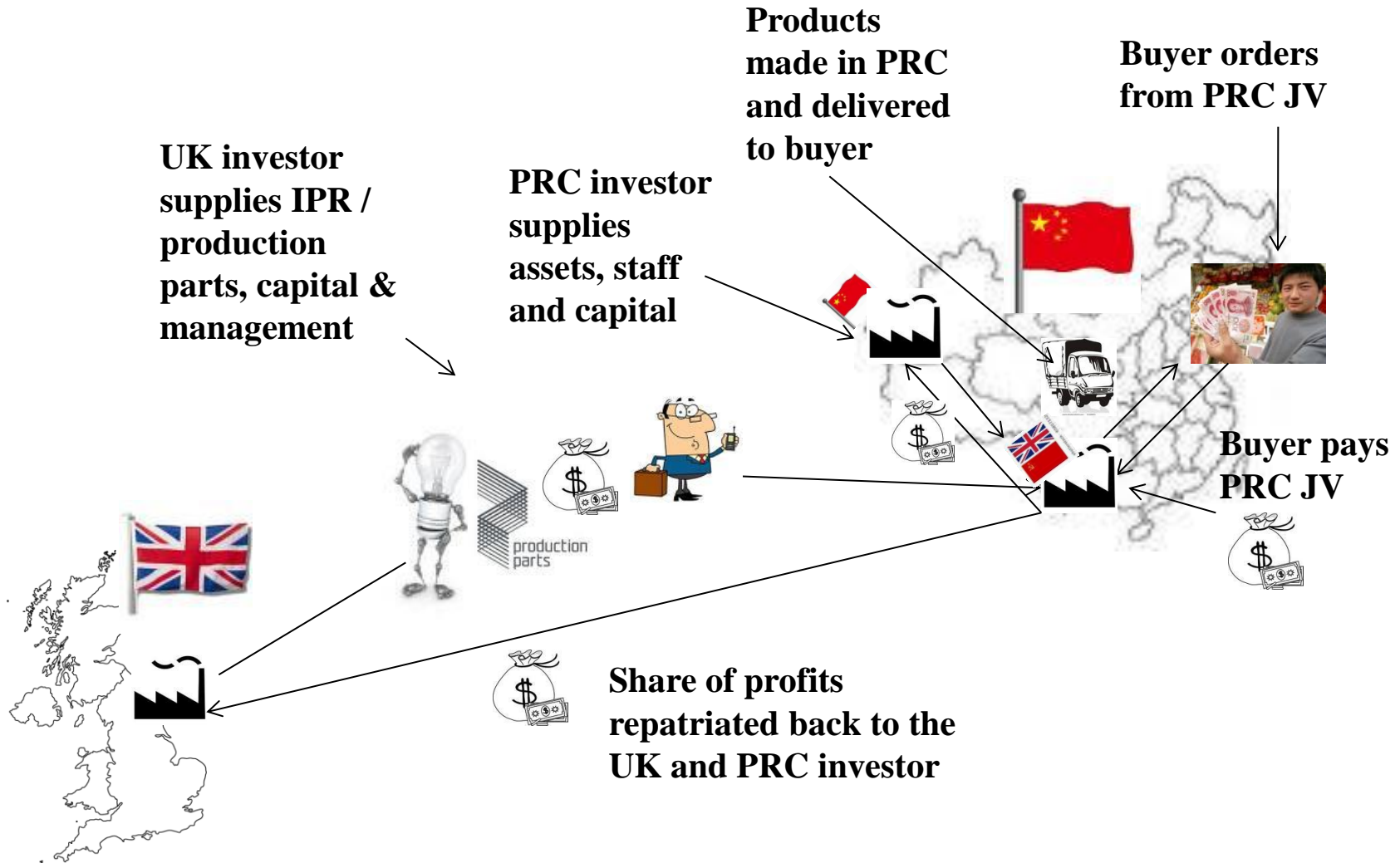
Licensing – Trading in China



Characteristics of Outward Licensing -

- Products produced in foreign markets by local manufacturers
- No 6 week shipping time – overcome buyer purchasing concerns
- Reduce costs – shipping and transportation, foreign government import tariffs, reseller stocking charges
- Reduce price pressure
- Possible loss of product/process control
- Increased IPR infringement risk
- Increasing risk of quality failure
- Profit made through Royalty payments but profit return small
- Minimum capital investment required

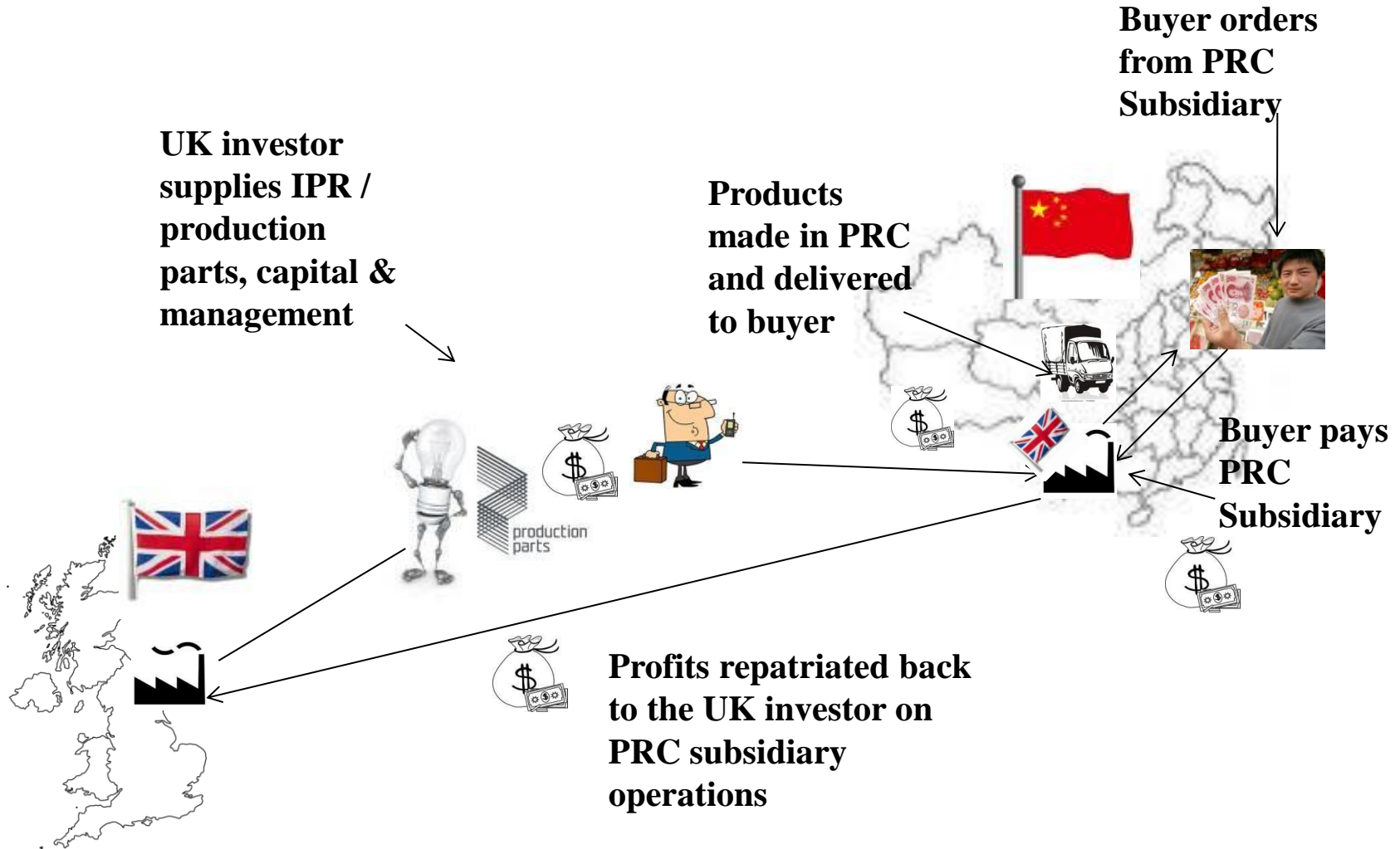
Joint Venture – Trading in China



Characteristics of Joint Ventures

- First step towards MNC status by establishing foreign legal presence
- High investment requirement in capital, management time, production resources but overall investment cost is shared with other investor(s)
- Controlled exposure of IPR
- Foreground IPR ownership rights can be challenging
- Terms of investment can be complex and needs an exit plan
- No 6 week delivery for buyers as product manufactured in PRC
- Tax optimized structuring of profit repatriation can be complex with regards capitalization issues, transfer pricing rules, compliance etc
- Incorporation procedures can be long and complex
- Can't be done from behind a desk in the UK!

Wholly Owned Subsidiary Trading in China



Characteristics of Wholly Owned Foreign Subsidiary

- Full MNC status and legal presence without joint venture
- High investment cost as new company is 100% owned
- Total control over IPR
- No 6 week delivery for buyers as product manufactured in PRC
- Tax optimized structuring of profit repatriation can be complex with regards capitalization issues, transfer pricing rules, compliance etc
- Control over 100% of the profits but take 100% of the risk of market development failure
- Incorporation procedures can be long and complex
- No foreign investment into company may preclude it from bidding for government contracts in some countries

Internationalisation Consultancy Services

RTC North provides “one stop shop” to help SMEs take the next step on their international development; Services include;

- ✓ **International Operations Planning,**
- ✓ **Foreign Company Registration, Incorporation and Operational Set Up, (RO's, Branches, Joint Ventures, Subsidiaries)**
- ✓ **Setting up International Licensing Arrangements**
- ✓ **Protection of IPR in Foreign Countries**
- ✓ **Foreign Government Registrations Service**
- ✓ **Due Diligence on assets and investors**
- ✓ **International Legal Support and Contract Drafting**
- ✓ **Tax Optimization of Foreign Company Structures**
- ✓ **Foreign Banking Support – Business Account Opening**

1. Licensing Agreement with USA



Market research led to licensing agreement with a US company to sell their space-saving parking system outside the UK.



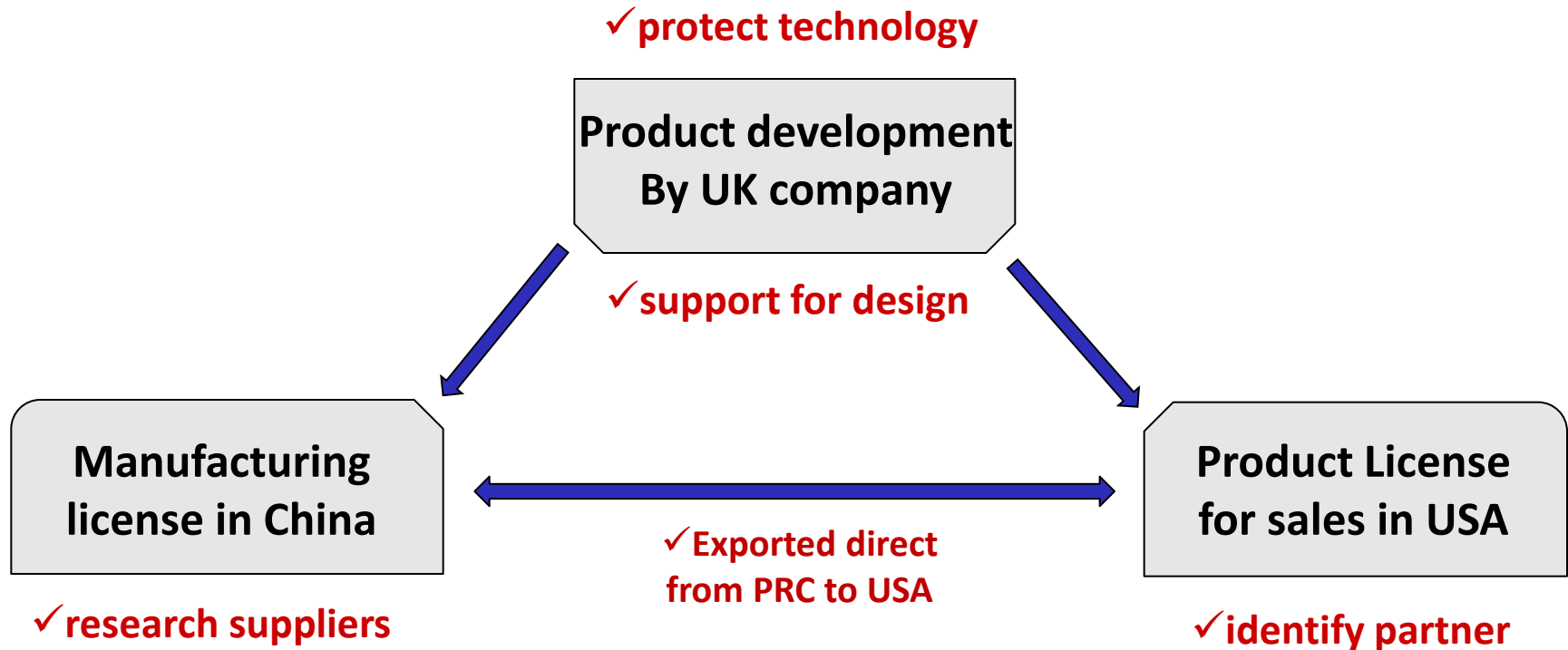
“The team at RTC North has brokered the perfect partnership by bringing an industry leader to us. Thanks to them, our idea has gone from concept to production in less than two years” **Ken Riley, Inventor**

Park and Slide



International best practice in TT

“Park and Slide” Case Study

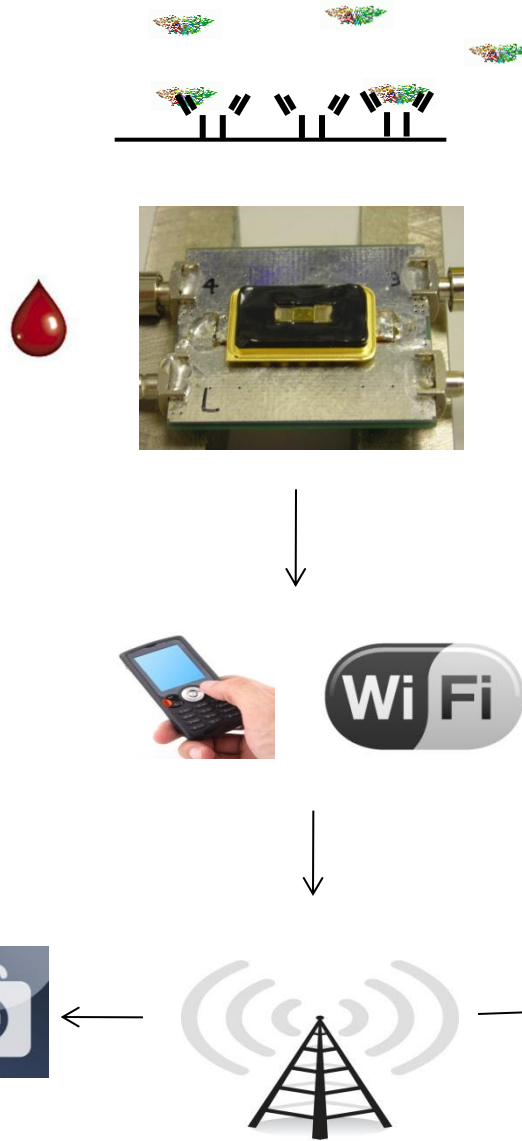


RTC North assists inexperienced SME client in all aspects

2. Joint Venture with Japan

**A new platform for
remote hand-held
medical diagnosis**

**Japan
Radio
Company**



**The OJ Bio
Joint Venture**

The assistance provided by RTC North through UKTI's R&D Globalisation Programme has been invaluable to us and will likely benefit many more SMEs like us in the region.
Dale Athey, CEO

SME high-growth matrix

Clean room
Technology
(global)



Totally New Technology	9	12	14	16	
New/Related Technology	5	7	11	15	Adding value to a product
Improved Product	2	4	8	13	Adding penetration to a market
Existing Product	1	3	6	10	
	Existing Customer	New Market Territory	New Market Segment	Totally New Market	

Fire Alarm
Technology
(local)

International best practice in TT