

CASE STUDY: Commercial & After-sales Center Build-up

Our Client was a European manufacturer of food equipment, mainly focused on sales into the European and American markets. Some of its international competitors had already built up some production capacity in Asia to capitalize on the market boom. In addition, despite the technology barriers, Asian players were also starting to become competitive in certain product segments, demonstrated by growing export to western countries. Given this context, our Client decided to include Asia into their strategy planning process.

The number of issues to be addressed were multiple, each of them leading to potential different options and business plans. We worked with the Client to determine the decisions to be made based upon the nature and drivers of its business. For example, regarding the potential growth within the region, we had to address:

- Whether the growth in the coming 3-to-5 years was enough for a new market entrant and there was potential demand for the Client's specific products
- Whether installation and maintenance services were crucial in order to stay in business
- Whether the possibility of reducing the high import taxes paid in certain Asian countries, such as Thailand, was fundamental in order to be competitive
- Whether it was necessary to delocalize the production/assembly of those products/components destined to Asian markets
- Whether to establish the regional office close to the customers or to the potential future strategic suppliers

After a deep investigation, it emerged a high potential in the area for those companies able to serve the market with a 24/7 after sales service; in addition, we found out that lead-time had an impact on sales because of the fast growing demand and local business practices. Therefore, we advised our client to set up a regional office in Singapore, with commercial and technical staff able to support the Asian distributors with training and other services. A small warehouse of equipment and spare parts was soon incorporated into the newly established branch, which was also able to invoice directly to the customers and then enjoy the more favorable tax structure of Singapore.

In a second phase, we also advised our client to outsource the production of certain components, subject to high import duties, to Asia. Our client agreed and asked us to look for suitable strategic suppliers and assembly companies to start negotiations with.