WRITTEN EVIDENCE FROM ELIMPUS LTD.

Engagement with China

Elimpus works closely with a master distributor/representative who is responsible for developing the close working networks and relationships that are required for successful business in China. This master distributor is also tasked with identifying and appointing regional distributors for Elimpus products.

Having conducted initial market research, Elimpus was able to outline an approach to China market which involved identifying potential distributors. This was done through its own industry contacts and discussions with other Scottish SME’s who had already successfully established business ties in China. Candidates were identified and initial discussions, technology demonstrations and technical presentations were undertaken.

Support in setting up trade relation process

Elimpus was able to secure funding from Scottish Enterprise for International Market Development project which helped reduce the financial risk of conducting the initial market research and local (China) visits to provide technology demonstrations and technical presentations.

Whilst the initial financial assistance was welcomed, it would have been very difficult for Elimpus to establish a presence in China off the back of a couple of “exploratory trips” to find the right partners; there is no easy way of filtering and rejecting the good from the bad without some sort of guidance from well informed parties who are already active in a similar market in China.

To this end, it would be useful if Scottish Enterprise and/or SDI could facilitate a working group where account managed SME’s could meet on a regular, informal basis to share experiences and offer assistance/advise. There would be no membership charges (Unlike CBBC) and the potential financial assistance on offer could be more specifically targeted and would be less punitive than that on offer from UKTI. Effectively this would be a “self help” group where experienced Scottish SME’s who have already had successful experiences in business development in China could “mentor” other Scottish companies with the same aspirations.

Barriers to trading with China

Contrary to popular beliefs, our experience has been that China is not a single unified market – the economic and social drivers in the different provinces are not all the same. It is necessary to be close to the key customers in all the selected provinces and this can make the cost of getting to market high, unless there is strong local support and representation.

Communications, not just language/translation but finding a common and consistent understanding of issues and expectations can prove difficult. These are often less to do with language but rather cultural and value system matters. Scottish SME’s need to be less cynical but better prepared for how Chinese business really works which can sometimes appear less logical or rational than we are used to in the UK. Contracts are not always honoured to the letter, agreements can be arbitrarily changed, payments are delayed etc.
These are not show-stoppers in China but can make new entrants to this market very uncomfortable.

The key to success, and the most difficult item, is to find a partner to work with that is really trustworthy. Unfortunately this is very difficult to determine by any normal “due diligence” procedure, and needs insider information and recommendation by reliable referees. It would be helpful for Scottish SMEs if Scottish Enterprise /SDI were available to provide specific guidance or possibly even a list of “reputable” representative/agents/distributors that would commercially enable this early entry stage.

The refreshed China Plan targets and the new economic climate

The targets may only be partially achievable; the new reality is that China will take much more of a deterministic role in deciding what, if anything, it wants from the West. It can afford to buy what it wishes and invest where it wants.

Scotland should focus on areas of enterprise that the Chinese still value. For example, Elimpus has encountered Chinese companies and technical institutes that have expressed an interest in investment in the UK as a base for secure development of intellectual property (i.e. Scotland’s respect of legal rights). Businesses in Scotland are regarded as being “trustworthy” and “having good engineering skills”.

Economic development bodies (Scottish Enterprise/SDI) must encourage and actively facilitate “networks and relationships” in Scotland of like-minded, similar SME companies so that they can collectively make a stronger showing in China.

Scotland should make more use of the strong local connections forged by the many Chinese students and academics that have studied/worked in the country. They can help facilitate economic ties when they return to China and help bridge the cultural divide.

The economic objectives of the previous China Plan

We do not feel we are in a position to comment specifically on the achievement of economic objectives. However, there does appear to be a genuine lack of SME input with most comments/evidence being taken from more institutional bodies or individuals with corporate background and experience. The repeated reference to possible “mentoring” is also worrying as there was no evidence of this being available.

Would the absence of the China Plan be a potential disadvantage to trade and investment?

From the isolated perspective of Elimpus, probably not at this stage. Elimpus was not aware of a China Plan before or during its entry into that market. However, on the basis that the plan may be used to justify and secure European funding to help Scottish SME’s enter the China market, then it’s absence would be a disadvantage.