

BUSINESS LINK

THE VOICE OF PRIVATELY HELD BUSINESS



Retro Clothing
co-founders Andrea Young
(left) and Pam Brewer

PHOTOGRAPHY JANE USSHER

→ CONTINUED FROM P47

"It works for us because we're not trying to change them too much and the same for them, so we meet in the middle. If we didn't have such good open dialogue, it could be quite different."

Until they bought their own factory, Retro Clothing had been working with selected contacts, investing in machinery and training while the factory worked exclusively for them. Young and Brewer had their own office in the factory to house an on-site country manager and quality management team, made up entirely of locals.

The process took two months, but without the help of locals working for and with Brewer and Young, and their previous experience of Vietnam, it could have taken a lot longer.

The government departments were very particular about how forms were filled in — information from the New Zealand Companies Office website wasn't enough, it had to be printed and authenticated; normally the government didn't accept anything without the company stamp, unaware that no such thing exists in New Zealand; and they were required to produce a company charter or long term business plan for their business in Vietnam.

"The landscape changes so much," Brewer says. "If you just walked in with expectations based around how you did business in New Zealand and wanted to set up a company in Vietnam, I think you would get burned."

From the beginning Young and Brewer have strived to create an inclusive atmosphere and they say it's rewarding to see how their company's success has been shared with the local community.

"We have seen so much development and so much progress in Vietnam," Young says. "We have seen the families of a lot of the people who have worked with us for quite some time grow and prosper. And that's largely because we have been able to work together to make this whole thing work as a unit."

"The last year we had the best year ever and it was good that we were able to share that with the people up there because that's what it's all about."



GUEST COLUMN GREG THOMPSON

Keys to global success

The SME's path to offshore business success is getting smoother, but there are still obstacles for the unwary

The days of international business being the sole domain of multinational conglomerates are well and truly over. Giant leaps forward in international communications and technology, ease of international travel, growing supply routes for goods, the increased simplicity of international monetary transfers and free trade agreements all add up to a lowering of the barriers to global trade.

Our small and medium-sized businesses (SMEs) have the opportunity to access a far greater offshore market for their goods or services and can increasingly source manufacturing resources overseas.

It sounds easy to take advantage of this opportunity, but the reality is more difficult. You only have to look at tumultuous financial markets, wild exchange rate variations and shaky domestic markets to realise it's not plain sailing. But the doom and gloom is offset by booming economies, most notably in the Asia Pacific region which is right on our doorstep.

The focus on China's dominant position overlooks significant advances by Vietnam, Indonesia and Malaysia, for example, while India and Australia are also strong players that influence the region.

Recent changes in our international tax rules are also making it easier to do business overseas. Businesses previously had to leave New Zealand to get away from these onerous rules that saw New Zealand owned international businesses taxed on an unrealised basis. The recent changes provide strong incentives for active businesses trading overseas and they will no longer be taxed on such a basis, nor when the funds are returned to New Zealand, but only when distributed to shareholders.

Although many businesses have gone it alone and succeeded, there are many that failed. The Warehouse and Telecom are two high profile examples.

Some issues to consider when planning your international strategy are:

- The different ways governments make rules and the approvals that are required.
- Restrictions on the flow of funds in and out of each country.
- The impact of foreign exchange on the pricing of goods and services and the profits made.
- Understanding each market, the products that are appealing, how to attract the consumer and complete the sale.
- Practices that work in one country don't always work in another.
- Although people from more and more countries speak English, the language barrier can lead to misunderstanding and additional cost.
- Labour laws and practices are very different
- While the principles of taxation are similar the detail of the rules and approach of tax authorities is very different. How the tax rules of each country interact with each other also needs to be considered.
- Time delays delivering goods and services to market.
- Relationships with business, advisers and commercial partners become very important.

Global opportunities are immense. The key to successfully taking advantage of them revolves around planning, knowledge and relationships. Understanding business needs, working with the best people in other countries, sharing the knowledge held by government agencies and companies who have 'been there, done that', and regular monitoring and communication increases the likelihood of success.

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