



PROFIT

promoting regional opportunities
for investment and trade

Trade missions

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1. Introduction

A trade mission is simply an activity in which a business from one country goes to seek out potential trade or investment partners in another country. Sometimes, the business will already have potential partners lined up – this makes the most effective use of the time in the target country – though sometimes, especially where a business is joining a government sponsored or trade association organised trade mission, the visit may be more speculative.

You need to be clear what you specifically want to get out of a visit. Your objectives, to some extent, will stem from your research aims and the point at which you have reached in your research. The trade mission provides an opportunity to gather first-hand information. You will almost certainly want to meet potential partners, even if they are just agents or distributors, and should definitely meet with possible joint venture partners if that is your chosen market entry strategy. You may want to undertake some interview research with representative target customers. A trade mission can help you begin to understand the business environment in the chosen country.

Meeting with potential partners gives a much better opportunity than a video call to assess the business – to see at first hand how they are organised, how they treat their staff, how they handle their logistics, how they project themselves in the market and much more. It allows you to talk to staff, to talk to customers, and perhaps to talk to other stakeholders. Unfortunately, that is all very difficult if you are unable to travel physically to the see potential partners.

It is also difficult to understand the business environment if you have not seen it. One businessman told me a story about how he had gone to Hong Kong to visit a trade show. As he passed through passport control he was asked why he was visiting and explained that he was there for the trade show. By the time he reached his hotel, there were six messages for him from businesses that wanted to talk. This told him a great deal about the support given by government to those doing business! Assessing the ease of doing business, even with the World Bank's Doing Business league table, is also difficult if you cannot see it for yourself and, for example, quiz people about attitudes to corruption and moving goods through the port quickly and efficiently.

On the assumption that it will be difficult for the next few months to travel, even for business purposes, this factsheet offers some ideas for how you can still come to a sensible answer.

One important component of a trade mission, especially if it an organised mission, is the opportunity to network. Whilst this is rather more difficult to do virtually, you may find it helpful to read the PROFIT factsheet on *Networking*.

2. Identify possible partners

The first step is to identify possible partners. This is important if you want a joint venture, or want a licensing arrangement to transfer technology, or want to invest, or are looking for an investor. It is less important if you are looking for suppliers or distributors or agents: you will still want to take care in your choices but it is easier to make a change if you find that the relationship does not work.

You may already have a list of potential collaborators but do not worry if you do not yet have such a list. The PROFIT programme aims to help you identify a list of possible partners and then to facilitate introductions. With support from your mentor, you will have prepared, in all likelihood, one or two paragraphs describing your business and why you might make a suitable partner and a further one or two paragraphs describing exactly what you are seeking in a partner. PROFIT will then have engaged in a partner search and hopefully will provide a handful of potential partners who meet your specification. For each, it is likely that you will receive back just a couple of paragraphs as well but that should be enough to decide whether you want to start a conversation with them.

The next step is to arrange those introductory conversations. Experience teaches us that it can be helpful to have a neutral facilitator – and your mentor will be able to help in this regard – though there is no obligation. However, you need to remember that it is you who is being proactive – the businesses that have been identified as potential partners may be rather less enthusiastic about forming a relationship.

So, for that first discussion, you need to be prepared to give a ‘marketing’ pitch – explain what you do, talk about your aspirations and set out what you are seeking in a partner; explain what is in it for them – enthuse them about what you can do together. Will you use powerpoint? If you do, it needs to convey an impression of professionalism. Will you have product samples ready to show? Have you case studies you can share? Do you have written materials already prepared that you can share by way of follow up? Are there key colleagues from within your business whom you would like to introduce, even if only with a photo and a name? Almost certainly, any business to whom you talk will want to check out your website. Is it professional? Is it up to date?

You also need to be ready with the questions that you would like to ask about them. You will almost certainly not get to ask all your questions in a first discussion, though you may want to put all the important ones on the table and agree that they will need to be discussed over a period of say two or three weeks. Ask questions about more than just the business. Remember that this is a great opportunity to learn more in general about the

target market, so ask about the market, ask about customer profiles, ask about competitors, indeed ask about anything that you think might be relevant to making a decision about whether to pursue this particular market.

At the end of that period, you can decide whether you want to keep all of them on your shortlist or whether you can shorten the list.

3. Assessing possible partners

Whilst the order of the steps is less important than the content, it is likely that the next step will be to undertake some basic due diligence. As far as possible, you want to check out any claims that the business has made. If they say that they own intellectual property, then you will want evidence of that. Ask to see their most recent accounts. Follow the requirements set out in the PROFIT factsheet, *Know your customer*. If they share accounts, the PROFIT factsheet on *Financial statements* will tell you how to analyse them. If you are seeking a shallow relationship, the PROFIT factsheet, *Partner health check*, offers suggestions for the areas that you should check out. If you are seeking a deep relationship, for example investment, then the PROFIT factsheet on *Investment appraisal* makes detailed suggestions on how to assess a business.

It is possible that these checks may cause you to reduce your shortlist again though it is equally possible that you will be happy with all.

Remember, too, that potential partners will want to check you out in much the same way. Prepare a pack of materials that you can easily send.

4. 'Meeting' possible partners

This is now the point when you would normally arrange your mission and go to meet them. Since you may not be physically able to meet, it is likely that any continuation of video conferencing will not seem so different to the initial conversations, but almost certainly you still need to learn more about the business before you decide whether you want to collaborate. If you were going on a physical mission, you would almost certainly do some 'homework' in advance. You would have undertaken some market research; you would be able to talk knowledgeably about the foreign market and why you would expect to be competitive; or, if you are looking for an investor or joint venture partner to work with you in your own market, you would be able to articulate clearly and succinctly the key attributes that would complement your own knowledge and expertise. These requirements are covered in other factsheets. In the absence of a mission, what options are open to you? Here are some ideas.

4.1 Video conference

You will already have had discussions, possibly several, before you have reached this point. However, you could arrange for a larger team from each business to meet together – or you could arrange for individual members of your team to meet with individual members of the potential partner's team. In either case, you need to be clear about the questions to be asked – and ideally have thought in advance about how answers might be probed further.

4.2 Virtual tour

Ask the business to take you on a virtual tour. Sadly we cannot yet do this with a hologram. Have them set up their smartphone with whatsapp or zoom – if they do not already have that – and ask them to walk you around the business or the factory. Have them introduce you to people. Feel free to ask to be introduced to people – pick them at random. Have some questions ready to ask. Ask open questions to encourage people to talk.

4.3 Commission a local consultant

It may be possible to commission a local consultant to do some of the hard work for you – though you will have to be clear about what you want them to ask or review – and remember that there will be limited scope for dialogue. The consultant will seek answers to the questions that you pose but, unless they are very experienced at assessing businesses, will be unlikely to follow up with probing questions. It is likely, therefore, that any assessment will end up posing as many questions as it answers and these will then need to be followed up directly with the potential partner.

4.4 Ask follow-up questions

If, at any point, you feel that there are more questions that need to be asked, do not be shy about asking them.

4.5 Take notes

Most important, take detailed notes at every stage of your assessment. This is the only way that you will be able to remember what you have learnt and it will be invaluable if you need to compare possible partners in order to get down to just one.

4.6 Negotiating the deal

The last, and most important, step is to agree the terms of a collaborative arrangement. If you are simply talking about import or export, then this will be very easy – a specified number of products at a specified quality and price and delivered to an agreed place by a specified date. But most other deals will be more complicated. For a licensing deal or a technology transfer deal or investment or joint venture arrangement there are other issues

that also need to be considered. So think these through, ask questions, make progress towards agreeing terms – and then write it all down so both partners can see what is being proposed. At some point you may feel that there is a need to turn this into a memorandum of understanding or a contract but the important bit is to agree the terms. Everything else will then follow. If you feel that you would like help with this stage, ask your mentor. You do not need to conclude the deal at this point. You could simply agree in principle that you intend to collaborate. You can then complete your internationalisation action plan, prepare a financial forecast and, if necessary, raise additional finance. At that point, you will be ready to sign and start trading.

5. Test marketing

For businesses with relatively low cost products and for businesses seeking distributors or agents, there could well be merit in starting a relationship by having the possible partner undertake a test marketing exercise. This will not only enable you to learn more about the market but also will allow you to assess the ability of the partner to engage with the market. You can then take a more long term decision on whether to agree to a partnership arrangement.

6. Conclusion

There is no doubt that the absence of physical travel will make it more difficult to assess possible partners, but it should still be possible. Indeed, judging by the large number of virtual trade missions being promoted online, it may well be that virtual missions become the standard approach rather than physical trade missions.

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