

# Grasp opportunities in worldwide trade



Knowledge is power as ambitious companies make a success of international opportunities, explains Steve Price of HSBC

**T**he companies on this year's International Track 100 have grasped that foreign markets offer a valuable source of fresh sales. The vast majority have been trading abroad for more than four years, and more than a fifth (21%) expanded overseas because their market was either saturated or shrinking, according to the league-table research.

Some of these businesses are considering how best to exploit their experience and position in the global supply chain to find new revenue streams.

Take Aquaterra Energy, at No 99, which designs bespoke engineering components for the oil-and-gas industry. We are supporting the company as it exports British expertise to emerging regions. The firm, which generated 85% of its 2009 revenues overseas, has been trading abroad since its launch in 2005 when the domestic market was relatively subdued. International sales at the Norwich business have grown 50% a year, from £7.7m in 2007 to £17.3m in 2009.

HSBC has been able to offer financial support and strategic advice as the company moves into new areas. For example, when Aquaterra tenders for international contracts, we are able to provide the necessary in-country bid and performance bonds that are sometimes required for deals in the energy sector. We are also on hand to offer regulatory advice on embargos and sanctions in overseas territories.

But for many fast-growing firms, understanding the exact nature of international opportunities remains a challenge. That is why HSBC published a

wide-ranging report that explores how the world is trading today and where opportunities may lie tomorrow.

The report, Mapping the World's Trade Connections, finds that companies which look beyond exporting products to exporting skills, knowledge and the nation's reputation for quality, are those that will get ahead. UK companies often form part of a global supply chain in knowledge-intensive processes and the country is acknowledged to have a real future in developing this expertise.

The report predicts that the

UK's future opportunities abroad are likely to be underpinned by strong creativity and its knowledge-intensive base, both of which are embedded in the country's economy. It also highlights the opportunities that arise when developed and emerging markets meet.

Britain's exports in the 10 years to 2009 showed the biggest growth in China, the United Arab Emirates and India, while British oil and organic chemicals were the products in greatest demand overseas. Domestic companies are improving their global competitiveness in key sectors,

including printed publications, alcoholic beverages, pharmaceuticals and cosmetics, the report also found.

Of course, many International Track 100 firms have been working to build new markets in fast-growing economies. China, which replaced Japan as the world's second-largest economy earlier this year, is an export destination for 41 companies on the league table. Of the 100 firms, 27 trade with South American countries and 23 with India.

The trading relationships between emerging nations themselves are also strengthening. For example, during the first four months of last year, Brazil's exports to China grew by 237% according to the HSBC report.

Over the same period, Argentina's trade with China increased by 111%. As these trade links grow, the challenge for British businesses is to consider how they can become part of the chain.

Our report also considers what we have dubbed the European paradox. On one hand, the nations across the Channel are close, culturally familiar and economically similar, and present fewer trade barriers. On the other, opportunities to trade in a relatively saturated and low-growth market are limited.

This year's International Track 100 companies have certainly not written off mainland Europe. An overwhelming 96 trade there today, and 80 chose it as their first overseas destination, according to the league-table research.

In addition, many are using the Continent as a springboard to the rest of the world. Europe's largest companies are world leaders in their sectors and take their suppliers with them as they enter markets across the globe.

For example, the online payment provider Skrill (No 37), which was formerly known as Moneybookers, has followed its e-commerce clients into new countries where it can process transactions on their behalf in many different currencies.



Knowing the drill: engineering firm Aquaterra Energy is supported by HSBC as it rapidly grows in emerging markets

HSBC is working closely with businesses across the world to help them shape their future success. On this year's league table alone, we are supporting 22 firms, including the household-goods manufacturer Joseph Joseph (No 28), online book retailer The Book Depository (No 16), and translation-services provider The Big Word (No 85).

When Rainbow Cosmetics, the family-owned firm at No 34 on the league table, started banking with us 12 months

ago, overseas sales accounted for only 7% of revenue.

Typically, it had been foreign buyers who had approached the business, which sells branded cosmetics and fragrances wholesale, together with its own range of bronzing products called Sunk-issed.

Since then, HSBC and UK Trade & Investment have worked with the company to research new markets and draw up a strategy for expansion. For example, when

Rainbow Cosmetics studied the Polish market, it discovered not only that there was strong potential demand for its value fake-tan products but also that many consumers were familiar with big British brands, according to managing director Stephen Sharman.

The business has also appointed an export manager to identify overseas distributors and co-ordinate foreign sales, which have grown particularly strongly in Scandinavia. The results are already impressive.

International sales have grown by 92% a year, from £1.2m in 2008 to £4.6m in 2010.

Trade has already moved beyond imports and exports. Today it embraces international networks, relationships, innovation and creativity. The emerging world is developing its own networks and technological standards — and we ignore these fundamental changes at our peril.

■ Steve Price, head of HSBC's UK commercial banking segment, was talking to Catherine Wheatley.



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HSBC is helping Richard and Antony Joseph expand abroad