Strategic Alliances

Licensing

Licensing involves a contractual arrangement with a company licensing the rights, for example, to **technological know-how, design and intellectual property**, to a foreign company in return for royalties or other kinds of payment.

Licensing offers many advantages to a small business exporter - for instance, rapid entry into foreign markets, very little draw on capital, and quick returns. One disadvantage of licensing is that you might lose control over manufacturing and marketing, and the licensee may become your competitor if too much knowledge and know-how is transferred.

Important: Take care to **protect trademarks and intellectual property**. Get help in preparing any agreements from a lawyer who knows about Australia and the country you plan to do business in.

Piggy-backing

You may decide to **export through a third party -** this is called ‘piggy-backing’. This involves either an export trading house or agent, or a company already involved in export that would benefit by adding your products or services to their existing range. The advantages of piggy-backing is that all your transactions are onshore and easier to manage and you won’t need to set up your own distribution channels offshore. However, it also means that you have less control of your export market and this may affect your potential to expand.

Cross representation

Another option is where overseas agents or importers ask you to represent them in Australia and vice-versa. Before committing yourself to a cross-representation arrangement, think about how it will fit into your existing business, because it may not be worth the extra time and money involved.

Tolling

Although not commonly used, tolling has advantages for firms that have difficulties in matching the prices set by overseas competitors. With tolling you **send the design and parts to a third country**, where your product is assembled, packaged and despatched.

Before the goods are assembled they remain your property. Once you pay the charges for ‘transformation’ in the third country, the goods are sent to the final export market and billed by you to the importer or end customer or importer.

Important: Find out if the country that finally receives your ‘transformed’ goods will accept them from the third country. Otherwise, the rules about country of origin requirements come in to play and this can complicate your transactions.

Global supply chains

As part of the trend towards globalisation, the largest engineering and construction (E&C) firms are pre-qualifying firms and purchasing equipment and services through global supply chains (GSC). To access GSC, you **need to be internationally competitive and possess global capability**.

This is especially so for technology intensive packages in the heavy engineering industry. It is important to be aware that pre-qualification does not guarantee success. You need to follow up with project specific marketing and promotion.

Once registered, and with proactive marketing firms, you can **benefit from stable, long-term partnerships** with project execution managers. You need to be able to provide competitive, quality equipment or services to strict timelines and exact specification.

Advances in e-Business and online procurement are playing a major role in the development of GSC. You should develop ‘e-literacy’ in order to enter the GSC market. Targeting **GSC is a new and exciting way to enter global markets**, because it is efficient and cost effective. You can supply to any project anywhere being undertaken by the GSC operator. Regional procurement centres for large E&C companies, such as Singapore, are able to forward capability information to projects outside their region at no extra cost to the supplier.