



***Is China suitable for Italian
micro-SMEs?
In3act case***

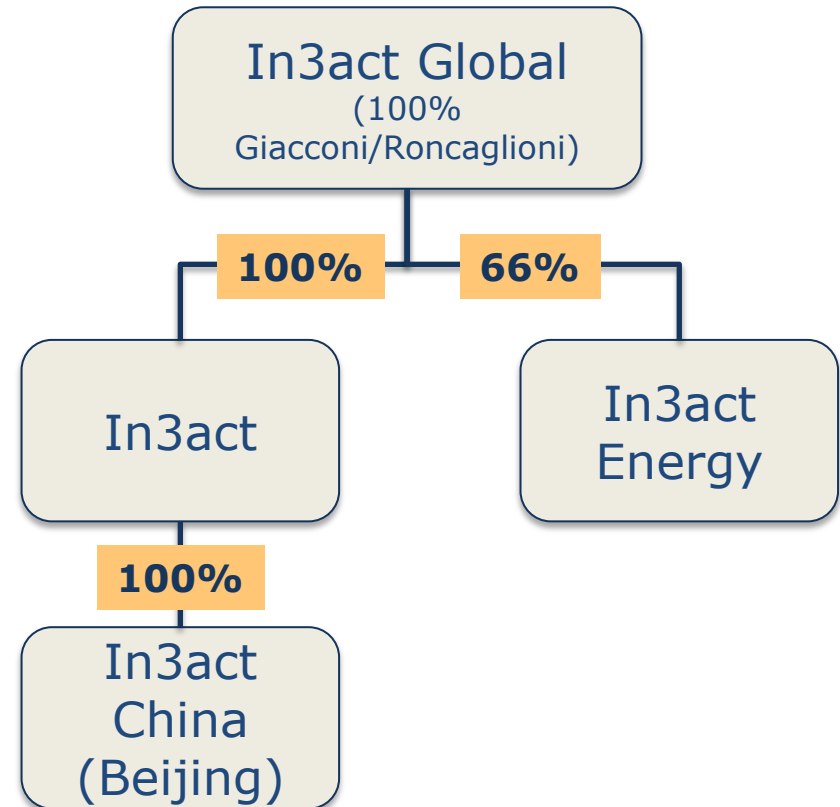
***Ing. Guido D. Giacconi
President***

***2014 Area Meeting of
Italian Chambers of Commerce in Asia, UAE and South Africa***

Beijing, April 4th 2014

In3act Group – Who we are?

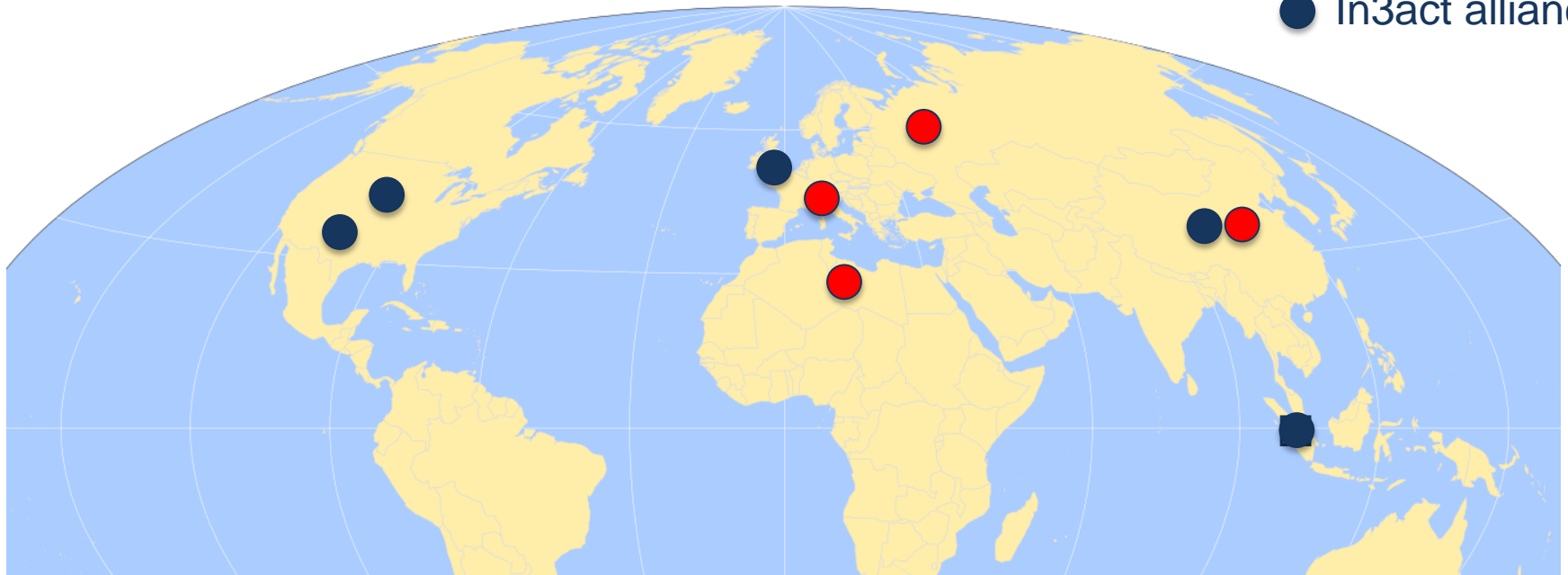
- ✓ **A Group of Companies** founded in 2004 and managed by Ing. **Guido D. Giacconi** (former Procter & Gamble VP EMEA, Bain Company, Booz Allen & Hamilton, Roland Berger) and Ing. **Davide Roncaglioni** (former Enel, C. Gavazzi, McKinsey, Value Partner, Booz Allen & Hamilton, Roland Berger)
- ✓ **Focused on tackling very complex and tough business issues through innovative approaches and hands-on practice:** the higher the business issue complexity, the higher the results we can achieve through Strategy and Business Development consulting and Senior advising,
- ✓ **We provide superior value to our Clients through:**
 - Senior-only consultants with proven track record,
 - Hands on involvement of Senior Partners in the engagements,
 - Right mix of consulting and managerial background/experience/approach,



- **Ca 3 Mio euros turnover**
- **Ca 35% EBITDA**
- **Ca 12% Net results**
- **15-20% investments in new markets/development**

Our business model is focussed on covering the global scale through direct professionals and top alliances

- In3act offices
- In3act alliance



- **5 senior partners in Italy up to 15 professionals,**
- **Strong presence in China through a direct presence with about 10 professional and partnership network with about 1500 professionals focused on market search/surveys, business strategies, branding strategies, M&S strategies, investments support, etc.**
- **Small market facing presence in Russia and Libia,**
- **About 10 senior professionals spread between Dallas, Houston, London and Singapore,**

In3act focus and teams

Our Focus

✓ **Functional focus : well balanced on all key management areas:**

- Portfolio strategies,
- Strategic Branding and Marketing assessment,
- Sales & Marketing, Brand positioning and profiling,
- New geographical and industrial markets entry strategies,
- Asset evaluation /valuations,
- Investment assessment/due diligence,
- Operations e manufacturing,
- R & D/Innovation,
- Organization/Change management,

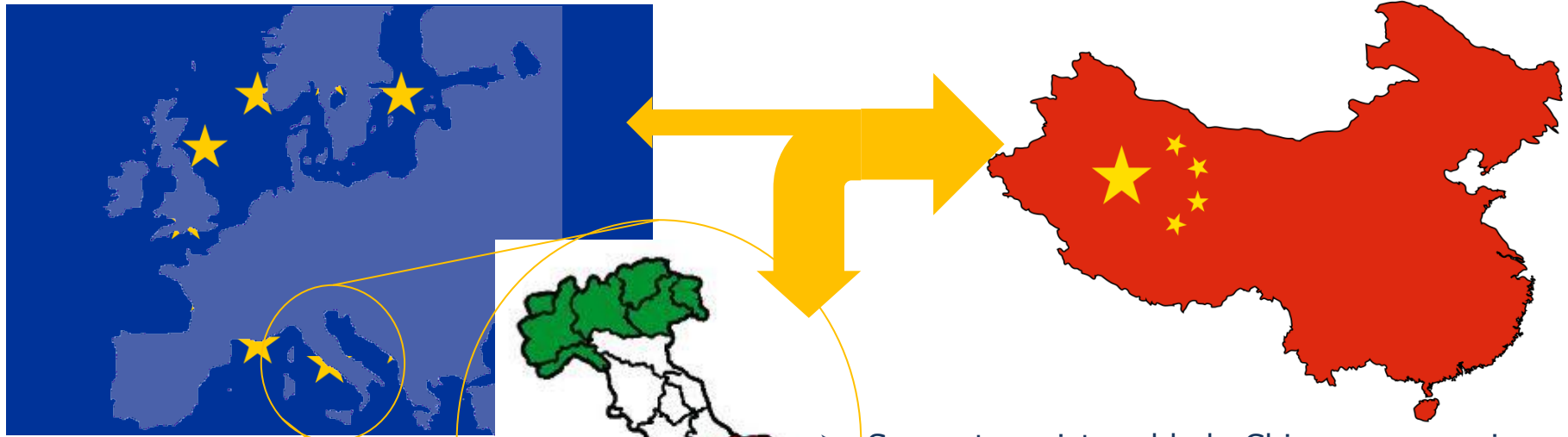
✓ **Industry Focus**

- Wide array of industrial sectors with key focus on Energy, Environment, Automotive, Consumer goods (fast-moving, semi-durable, luxury/fashion, ICT), Chemicals, Retail, Government

Our Clients (selection)



Priorities of our China Desk ...

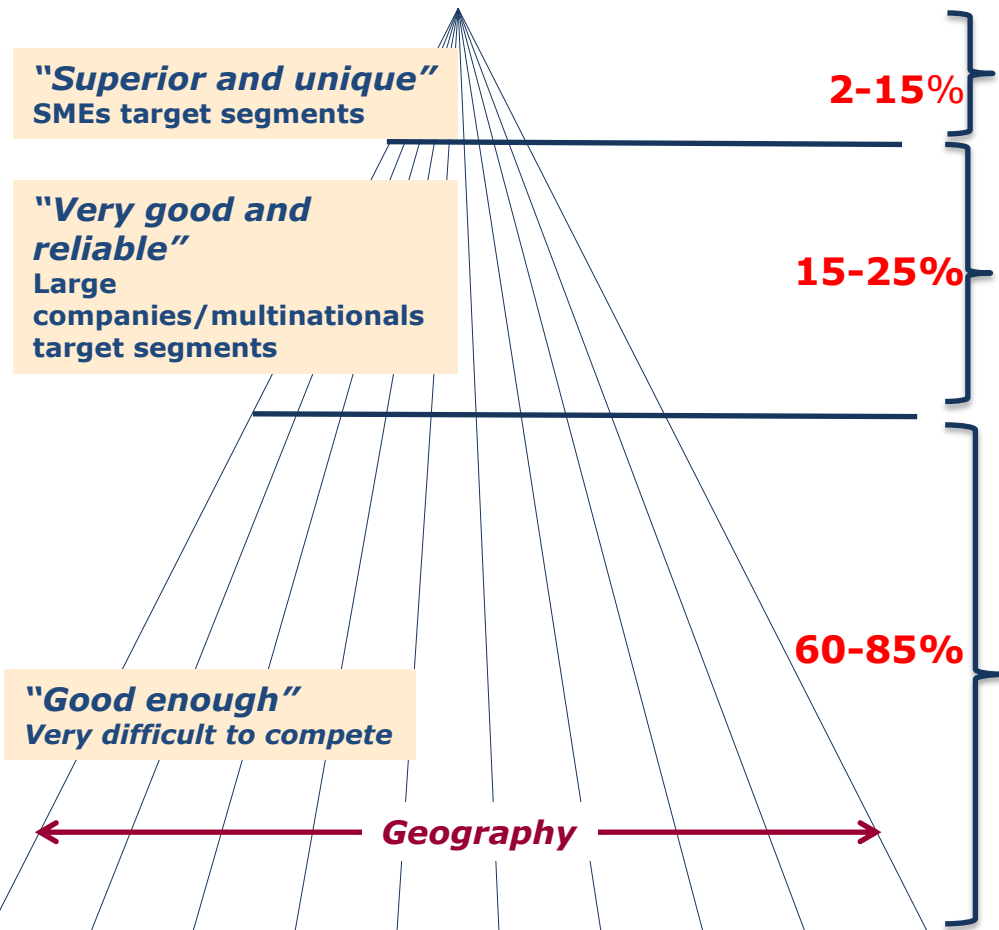


- Support, assist and help Eu/Italian consumer and industrial goods Companies to enter the Chinese markets,
- Identify Chinese counterparts interested to invest (financially and/or industrially) in Eu/Italian companies,
- Select high value and premier take over and M&A opportunities to be proposed to Chinese investors,
- Focus on Oil&Gas, Renewable energy, waste management, fashion/Luxury goods, furniture.

- Support, assist and help Chinese companies to enter Eu/Italian consumer and industrial goods markets,
- Identify Eu/Italian Chinese counterparts interested to set up JV with and welcome investments from Chinese Companies,
- Provide expertise, insights, competencies in pursuing 2th FYP priorities,
- Identify, select and propose Eu/Italian top quality technologies to be offered to both public and private industrial sectors
- **Provide Chinese companies business development and strategy consulting for enhance their business system in China**

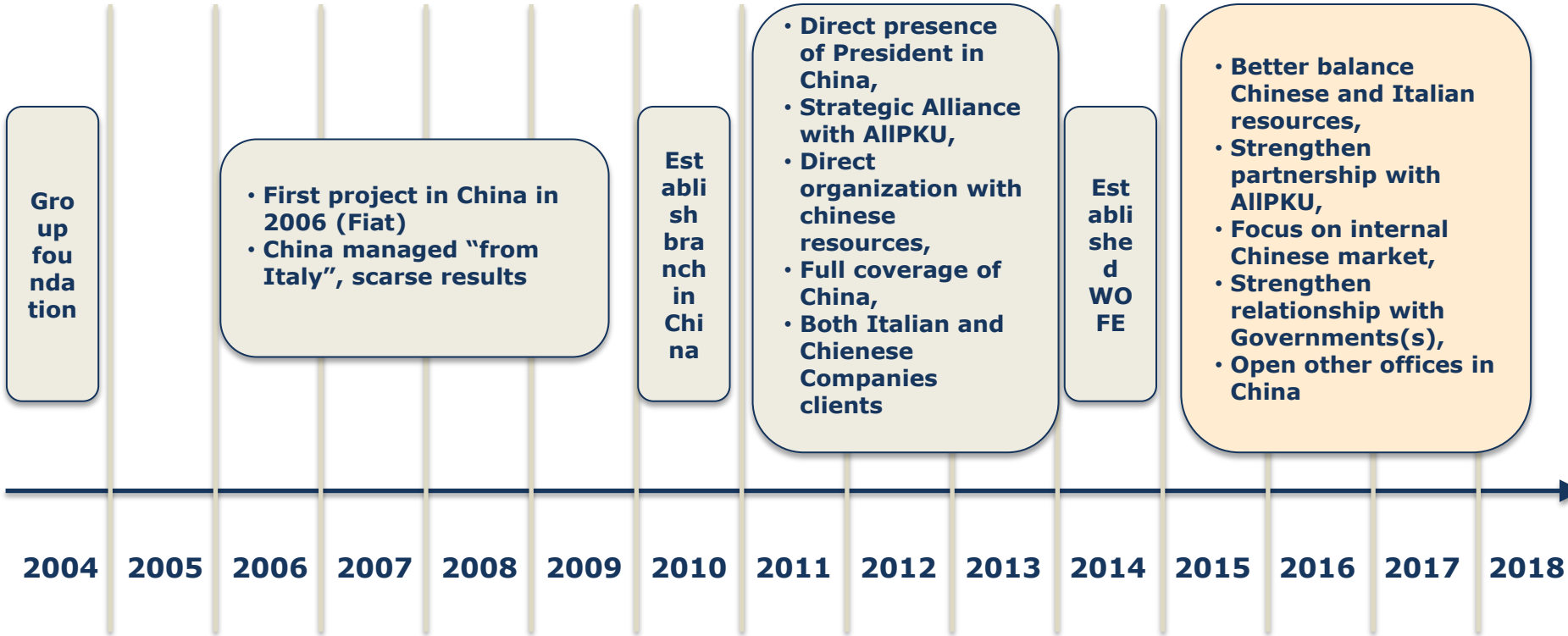
Although markets are huge, only high end segments could be targeted by Italian/western companies – same for strategy consulting

Qualitative/descriptive markets model in China



Segment Characteristics	Market drivers
<ul style="list-style-type: none"> - Complex, ad-hoc issues, - Advanced tech /know how requirements, - Less price dependent, - Medium/small scale prjs, - Weak competition with Chinese solutions 	<ul style="list-style-type: none"> - Very well defined positioning, - Innovation, - Product and services quality, - Excellent references
<ul style="list-style-type: none"> - Complex issues, - Advanced tech /know how requirements, - Weakly price dependent, - Medium/Large scale projects, - Possible substitution with Chinese products/solutions 	<ul style="list-style-type: none"> - International References, - Product and services quality, - Excellent relationships, - Consolidated/renowned presence in the market
<ul style="list-style-type: none"> - Standard issues and solutions, - Tech/solution already owned by Chinese companies, - No advanced tech /know how requirements, - Strong price dependent, - Small/Medium scale projects, 	<ul style="list-style-type: none"> - Price, - Consolidated presence in the market - Excellent relationships,

Chronology of In3act in China and perspectives – we practice what we preach!



Turnover China		50	40	60	50	90	130	200	350	500	700	1200	2000	3000
Investments China (% tot turnover Group)		2%	3%	2%	2,5 %	5%	14%	18%	20%	20%	25%	25%	15%	15%

Successfully entering in China is not a matter of business dimension but rather of corporate business development culture and vision

Is China suitable for Italian micro-SMEs?

YES

Conventional wisdom in Italy vs China is mostly false and an alibi for SMEs

Conventional wisdom reality
For entering China a Company has to be big in terms of turnover	False: Many Italian SMEs have got success, many big corporations have failed, no correlation success/dimensions
Entering China means to have financial capabilities	Partially false: many financial institutions can support the entry into China, not huge investments are required, it's just a matter of priorities in developing business
Entering China in complex and not suitable for SMEs	True: China is a very complex, making business in China is hard and needs determination, False: SMEs can operate in China with the right approach
Coming to China means having my technology replicated	True: if China will be managed improperly, False: if the strategy for China is correct and focus on innovation, top niches and continuous improvement
Given the many huge opportunities I can get huge results in the short term	False: only market niches are accessible for western SMEs. Results cannot be expected in the short term, only in medium/long term
I will delegate 100% of my business to a Chinese partner or I will direct manage my business with 100% Italian resources	Both approaches unsuccessful: only a well designed, structured and continuously improved organization with a mix of Italian/western and Chinese resources can have a probability of success
Till when we will have not efficient Institutions able to help us we cannot enter China, Government has to take care of business development in China	False: Expecting Institutions/Government take care of companies business development is an alibi for not doing. Although not perfect, Italian Institutions play their role if correctly "used" and leveraged

Critical success factors for SMEs in China

1. Medium/long term vision,
2. Strong determination and intention to invest for at least 2-3 years,
3. Study the market first, identify the proper niche, define the most promising value proposition for the product/service, define a sharp strategy, conceive a medium/long term business/master plan,
4. Build and cultivate strong relationship at any level especially with Government(s),
5. Assign top management/owner to the launch the entry, not junior/new hired or middle management,
6. Drive the partner and define priorities, don't be driven by the partner, if any
7. Use delegations and participations to exhibition only as promotion activities within a well conceived and established strategy, not as starting points.



Thank You for Your attention!
感谢您的关注

Contacts
联系方式

Ing. Guido D. Giacconi
guido.giacconi@in3act.com
+86 183 10907674

www.in3act.com

Ing. Daniel Chi
daniel.chi@in3act.com
+ 86 138 10108263