



The Umbrella Company Concept

Created by

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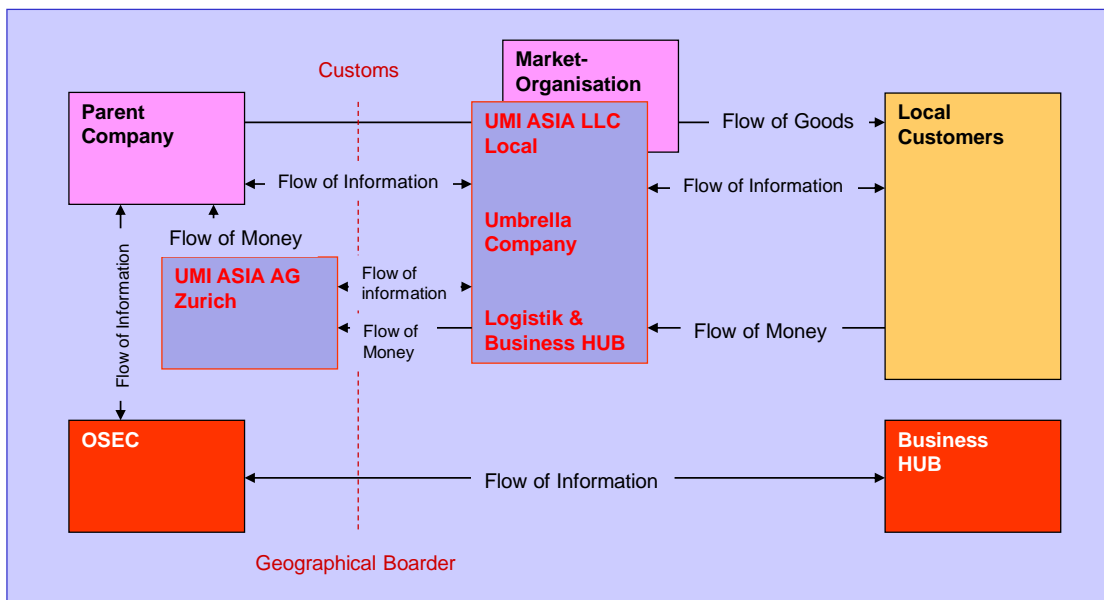
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The Umbrella Company Concept is based on a virtual subsidiary company. This means that the exporting companies are organisationally and legally not connected to the Umbrella Company, while taking advantage of all the services that the own subsidiary would provide. From the side of accounting, the Umbrella Company is managed separately and also the locally employed staff works for the exporting company while officially being employed by the Umbrella Company. The exporting company can fully focus on the market entry, especially the sales function, with the support of the already existing local know-how. When the local sales organisation is well established in the market, the exporting company may consider setting up its own subsidiary under the company law. The legal risks during inception are handled by the Umbrella Company which in turn minimises the market entry risks for the exporting company. Although the Umbrella Company Concept is especially useful for export, it may be also considered for the initial period of other market entry modes, e.g. setting up a production facility.

Accordingly, this also leads to a significant decrease in market entry costs. Between 5 and 15 companies are supported with their market entry by the local Umbrella Company resulting in cost sharing and resulting in expenses of about CHF 150,000.-- per year that have to be covered by the exporting companies (including costs for a full time sales staff). In comparison a representative office approach costs about CHF 250,000.-- per year and a full subsidiary about CHF 500,000.--. This is mainly caused by the fact that in the traditional approach the administrative expenses have to be paid fully by the exporting companies. Also, the exporting company benefits from the existing knowledge about the local market and the access to local business networks that is available at the Umbrella Company. Hence the cost savings for 5 - 7 exporting companies per market is between CHF 5 - 7 million in 3 years or combining our 4 markets creates a total savings of CHF 20 - 30 Millions for all 4 markets combined (currently Indonesia, Kazakhstan, Thailand, Vietnam are covered). The Umbrella Company Concept has already been implemented successfully in Russia since 12 years.

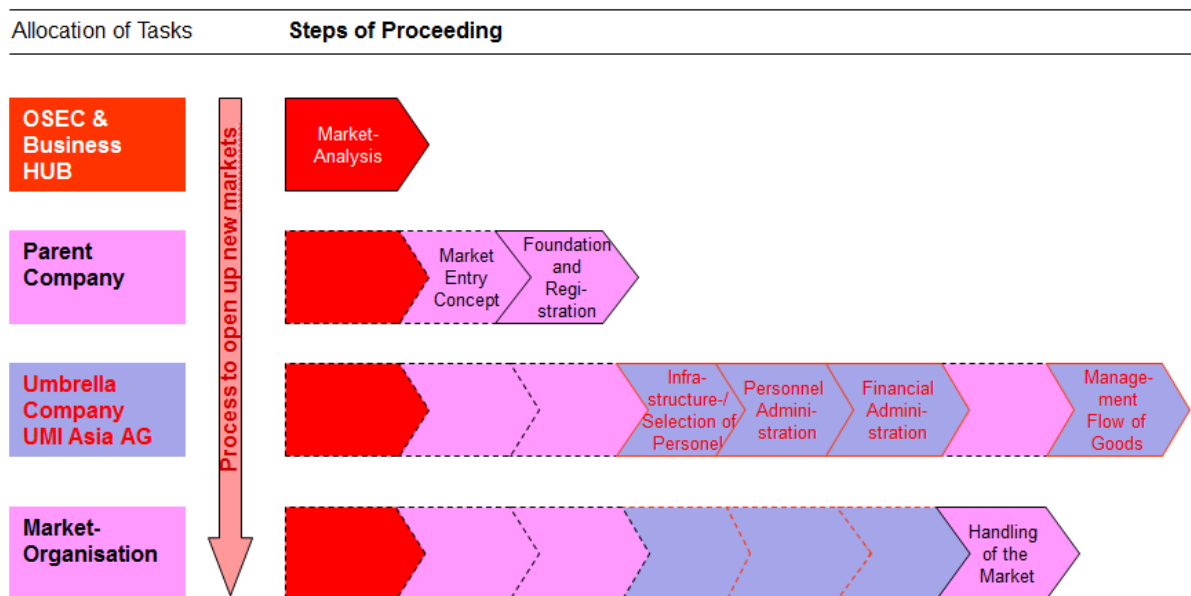
How the Umbrella Concept works in practice

As a first step an assessment about the market potential is done by UMI ASIA together with our partners at OSEC (official Swiss Export Promotion Agency). If the result is positive, the European exporting company (“parent company”) is entering into a contract with UMI ASIA AG, Zurich / Switzerland. Based on the specific requirements of the parent company the local subsidiary of UMI ASIA (usually a joint venture of UMI ASIA with a local partner) identifies suitable candidates for the local sales representative. The selection is done in close coordination with the parent company. The sales representative works exclusively for the parent company but will be formally employed by the local UMI ASIA umbrella company. The salary for the salesperson has to be paid to UMI ASIA AG in Zurich, together with the management fee. The salesperson is responsible for identifying the appropriate distribution channels in the country (“market organization”). Once the export is starting, UMI ASIA is taking care about all export activities including organizing the licences, dealing with customs etc. Storage capacity will be provided. The arrangement can be terminated at any point by the parent company if the company should decide to leave that market or if it intends to establish its own legal body in the country.



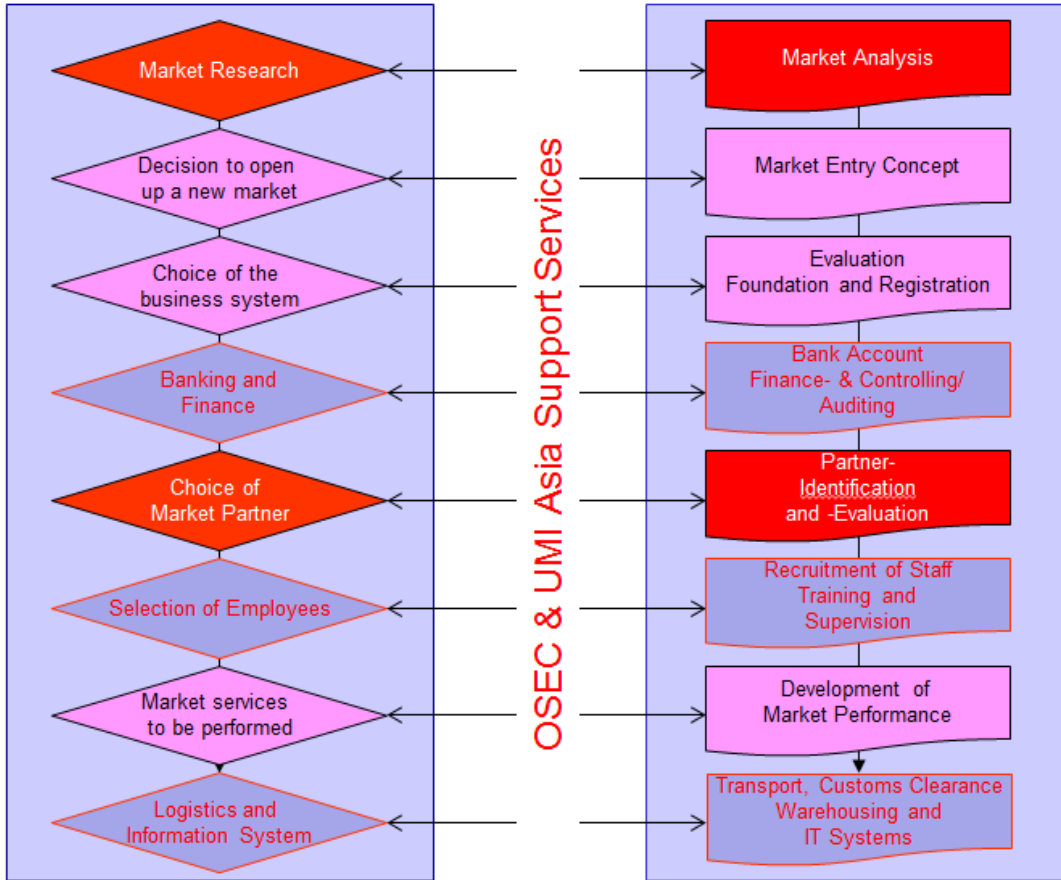
Allocation of tasks and proceeding steps in the market entry process: Integration in our local network in Southeast Asia.

From experience, we know that the successful creation of the market organisation in new markets depends primarily on the local networks. In co-operation with UMI ASIA AG, a full access is granted to our carefully selected network that has been built over the years and proven itself in practice. The competences associated with the network will provide fast and professional development of the local organisation with a minimal risk. Our experience with the development of cost-effective and pragmatic solutions will off-set the additional costs incurred for internationalisation.



The market benefits of UMI ASIA AG include the combination of the central management and technical know-how with the decentralised competence and diverse local network. Our focus is not only on the analysis and strategy development, but also on results-oriented implementation.

Corporate Market Development Decisions



Services offered for exporting companies

The services offered by the Umbrella Company include:

- Analysis of relevant environmental factors (markets, target audiences, distribution structures, competitors) in foreign markets in collaboration with OSEC.
- Location choice and chances/risk analysis.
- Development of specific market strategy and implementation plan.
- Evaluation, leadership commitment and management of strategic alliances, design of collaboration and agency contracts.
- Guidance and coaching during the strategic and operational steps of implementation.
- Guidance and assistance with the procedures of founding and registering (foundation of the organisation, registration, licensing and trademark law etc.).
- Assistance with the formation of distribution and logistics with a focus on transportation, customs clearance and warehousing).
- Human resources development, recruitment of temporary managers and experts, recruitment of permanent employee and workforce training.
- Formation of the required bank accounts, cash-flow management, finance & controlling, auditing.
- Assistance with improvement in efficiency and change-management.

Summary of benefits

As compared to the traditional mode of entering foreign markets, the benefits of the Umbrella Company Concept are:

- Less costs, also in case the company decides to leave the foreign market
- Less risk
- Time to market much shorter
- Less administrative burden, immediate focus on the sales function.

“Reverse Umbrella Company” and “Inter ASEAN Network”:

the next frontier

What works one way from Europe to Asia works also the other way round: UMI ASIA at Zurich can provide similar services for Asian companies that intend to enter European markets.

Finally: The UMI ASIA organization can be used also for companies based in Asia (especially ASEAN) which consider market entry in another ASEAN country (e.g. company based in Thailand that would like to explore Indonesia as an additional market).