



Business Model
Optimisation
Creating value
through business
transformation

Your opportunity

During an economic downturn, many multinational businesses turn their primary focus to cost containment and working to achieve the best possible profit margins. During an economic boom, many of these same companies look for ways to enhance their margins and grow the business. Whether in a slow or booming economy, it is always a good time to review your global business model and ask “How can I create value by pursuing new market share, developing new markets, and gaining greater economies of scale?”

A petroleum pipeline builder

We helped our client understand alternative structures for engaging in the contract building of petroleum pipelines overseas, review financing alternatives, optimise supply chain management, and plan for Chinese foreign tax credit application.

There are many ways to create value in an organisation, including:

- Undertaking operational initiatives to pursue revenue and margin growth
- Evaluating rationalisation of the supply chain
- Integrating acquisitions with existing structures
- Centralising management and use of intellectual property
- Centralising management of the organisation, regionally or globally

As you evaluate these and other types of business transformations, have you considered relevant factors that may help build value within your organisation, such as the opportunities and effect of tax on these important business initiatives?

Deloitte brings a fresh perspective.

Our approach

Our Business Model Optimisation (“BMO”) service offering focuses on helping multinational companies integrate their operational and tax planning in a scalable and sustainable way to help business leaders make more effective decisions on an after-tax basis.

A multinational commercial equipment/ consumer product companies

We advised on global supply chain transformation, involving contract/toll manufacturing and limited risk distributor models in China with a Singapore principal. The services covered detailed consideration of IP migration and exit costs, permanent establishment, customs duty and transfer pricing risks. We provided operational guidance and implementation support in setting up a procurement structure by having a principal based in Hong Kong while ensuring the manufacturing and distribution functions remain in China.

Our BMO services are delivered by a dedicated cross-competency, cross-regional team in China and the Asia Pacific region and throughout Deloitte Touche Tohmatsu member firms globally-professionals who have extensive “been there, done that” experience in terms of aligning business models, intellectual property practices, and global tax planning. Our BMO integrated multidisciplinary team includes specialists in business transformation, information technology, human resources, tax, and project management.

Using established and proven methodologies and tools, our BMO team focuses on the following elements, or work streams, of opportunity:

Realigning for business transformation - this work stream involves helping companies explore wholesale changes or small refinements in their existing business model, from sourcing of raw materials to sales of finished goods (and everything in between), and related changes to support the new business model.

Reconfiguring IT systems - in this work stream, we help you explore, design, and implement infrastructure and information technology (“IT”) system changes to support the new business model.

Relocating people - a key to the sustainability of any business transformation is having the right people in the right place. This work stream focuses on designing and carrying out redeployment of people to support the new business model and developing a smooth transition to the new model. This work stream may also include developing new key performance indicators and reporting lines to support the new business model as well as helping to navigate the change process through worker representatives.

Reorganising legal, finance, and tax structure -

with BMO initiatives, there are often extensive legal entity and tax structural changes. We help your management team focus on the pros and cons of various paths and provide support in helping you implement the new structure. We will advise on income tax and transfer pricing matters for the new business model, and will help analyse the effect, if any, of value-added-tax ("VAT") and customs duties on the new business model.

A Chinese leading manufacturer of solar PV modules

We assisted the client with its outbound expansion planning and provided one-stop services for its European distribution chain including analysis and advices regarding centralised tax structure of a sales principal company, transfer pricing analysis, VAT advisory and supply chain planning services. We also assisted client with their expansion of business line and provided services in the areas of VAT planning and structure design.

Deloitte recognises that wholesale change can often be disruptive to an organisation, its suppliers, its customers, and other stakeholders. Accordingly, where appropriate, we subscribe to the philosophy of a more focused approach aimed at specific areas of improvement that a company has already identified or that our analysis may bring to light, including:

- Globalisation or regionalisation of management functions
- Operational changes that enhance revenues and operating margins
- Centralisation of the management of value chain functions and risks
- Mergers and acquisitions
- Supply chain rationalisation
- Implementation of global or regional ERP systems

Through this approach, we provide BMO services efficiently on a regional or global basis.

A leading national discount retailer specialising in general merchandise and discount food sales

We assisted with the implementation of a sourcing structure for Chinese procurement which accounted for approximately 65% of its world-wide purchase.

Our process is guided by our four-phased approach which allows a critical business transformation to be carried out in a diligent and cost-effective manner:

Feasibility: This phase allows a company to first pursue savings through an opportunity analysis. To the extent the potential savings are substantial, feasibility for a new business model can be determined by:

- reviewing alternative operating models and understanding the potential for impediments from a business perspective;
- identifying business process opportunities, analysing location savings opportunities involving centralisation of management or valuable intangible property, the location of the principal company or IP company location;
- evaluating the income tax, VAT and customs duty implications of alternative business models;
- considering significant tax risks, local regulatory restrictions and planning opportunities;
- developing a business case considering the potential for IT changes, relocation of people, and the costs to design and implement the business model along the work streams discussed above.

An online game designer and distributor

We were engaged to scope the feasibility of transferring company's key intangible property to a centralised location by analysing the pros and cons of alternative IP holding company jurisdictions, modeling tax and net cashflow impact post transfer, computing IP transfer costs, advising on IP related tax rules in various jurisdictions, and aligning tax with the client's legal perspective.



Design: This phase involves the blueprinting of the new operating model and consideration of the operational, tax, and financial implications of the new business model, and the resolution of any critical business and tax / customs issues identified during the feasibility phase.

A global manufacturer and marketer of quality power tools and accessories

In providing services related to a complete restructuring of its international supply chain, we assisted with the formation of a procurement vehicle and establishment of an Asian manufacturing headquarters in Hong Kong.

Implementation: Conversion of the design blueprint into operating reality. We work side-by-side with the company and its legal counsel on the timely and successful go-live of the new business model and legal structure.

Maintenance and monitoring: Post-go-live review of the new business model to determine the adherence to the planning and protocols embedded in the new processes. Another objective of this phase would be to identify ongoing enhancements to the structure.

A global developer, distributor, and supplier of performance sports apparel

We worked together with the company to meet the following objectives: 1) developing a centralised global supply chain operations structure, 2) improving efficiency of global treasury management, 3) aligning the global business model with competitors, and 4) reducing global taxes. We fully implemented two structures – a sourcing structure for Chinese procurement and a Hong Kong contract manufacturing structure for the rest of Asia.

The Deloitte difference

Our BMO team provides high quality, customised tax and business model transformation services in an efficient manner through the use of common tools and techniques by dedicated and experienced resources. We have BMO specialists in the China and Asia Pacific region that team with Deloitte Touche Tohmatsu member firm professionals around the world who are experienced with the complexities of implementing new business models and aligning the tax and operating strategy for multinational companies. We are also the only Big 4 accounting firm with an in-house business consulting team who is ready to help take clients from the designing phase of optimal business model to actual implementation.



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As early as 1917, we opened an office in Shanghai. Backed by our global network, we deliver a full range of audit, tax, consulting and financial advisory services to national, multinational and growth enterprise clients in China.

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