

There's no place like China for OZ

OZ Optics has found in China a ready non-telecom market to rebuild its fibre-optics business

BY KEITH WOOLHOUSE

When Omur Sezerman isn't showing visitors around his compact sports training centre and indoor soccer field in the Carp countryside, he's packing his bags every couple of weeks for foreign climes. Soccer is Mr. Sezerman's passion. He tackles it with the same drive and determination that he brings to OZ Optics, his privately owned fibre optics company, of which he is president and CEO.

The mere mention of fibre optics conjures up the name JDS Uniphase and a collective groan of despair from investors and ex-employees alike. OZ Optics didn't escape the misery that swept through the industry five years ago, but the company is still in business and doing a lot better than his soccer venture, which has been red-carpeted by officious local regulatory bodies. In both quarters, Mr. Sezerman swears, the fight is on. But it's the fibre-optics business that occupies him this day as he sets out to explain how he came to survive the brutal downturn.

"Optics is not just telecom. It's used by the medical profession for eye and sculpting surgery and by the military and dozens of other industries. We surfaced faster than most other companies because we had a non-telecom customer base and it was highly profitable." That's not to say that recent years were easy. "Nobody thought it was going to be this bad and for this long," he admits. "Over the last three years we've lost a lot of money, but we're now cash-positive and we're forecasting profitability this year. Most of it is coming from non-telecom."

Although OZ Optics has dealings in 60 countries, he attributes a lot of the company's success to its presence in China. "I've been travelling to China since November 2001. When the industry failed to come back here, I looked at areas where things were booming ... and that was China. We went there to sell, not to manufacture. I went to see a couple of telecom customers over there and won a contract against a group of Chinese vendors. For the first two years I went just to Hong Kong and Shenzhen. Then I went to Beijing and Shanghai, and for the last 18 months I've been going everywhere. We're now in the process of forming strategic alliances with some Chinese

companies. My first trip I went looking for telecom customers, but ever since I've concentrated on non-telecom customers, companies in the medical sector and industries that need sensors, like laser-marking systems.

"Since a lot of manufacturing is done in China, it needs marking systems because they have to mark serial numbers and things like that. The best and cheapest way to do it is with fibre optics. We sell to universities and research institutions, to industry and medical facilities."

Mr. Sezerman's peripatetic lifestyle is paying off. The company has appointed three distributors with national offices to market its range of laser optic products. These are not hap-

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OMUR SEZERMAN

President and CEO, OZ Optics

hazard appointments. OZ Optics has flown in the company reps to its Carp headquarters for training and names them as authorized distributors.

The surprise for the Chinese has been that OZ Optics is trying to invade their market. When they hear that Mr. Sezerman is there to sell, not to manufacture, he usually gets the same response: "You really think you can compete with us? Aren't you afraid that we're going to steal your technology and then compete with you?" Mr. Sezerman is frank: "Those are still my concerns. They haven't done so yet. Maybe the market I'm after is not big enough for them to pay attention to or there is also the pressure that we're from a part of the world where you cannot infringe on patents and things like that."

He sees Chinese businesspeople as not being unlike their North American and European counterparts. They want to make money and they're keen on establishing business relationships with foreign companies. But that doesn't mean that concerns don't exist.

A common complaint revolves around the difficulty of

transferring money out of mainland China. It is comparatively easy to do so from Hong Kong, and many Western companies have seized on this to establish a shadow office in the former British colony. "That's something the government has to address," says Mr. Sezerman. My distributors tell me how difficult it is for them to do things out of Beijing rather than a Hong Kong subsidiary of a Beijing company. We're contemplating setting up a sales office and service centre in Shanghai, but for now we're content to have someone there working on our behalf."

The move to Shanghai should coincide with the telecom sector's improving health, leading to an overall recovery within the fibre optics industry. Mr. Sezerman believes that is already happening, as costs come down in all areas that require fibre optics to transmit digital signals: datacom, cable TV, home security and industrial sensors.

OZ Optics, says Mr. Sezerman, has 10,000 customers in more than 60 countries using its products for everything but telecom. Competition is driving down costs and fibre to the home is becoming a reality, rather than being experimental. "It's still in its early days in North America, but that's not the case in the Far East."

Canada is actually late to jump on the China bandwagon, he says. Japanese, Taiwanese and South Koreans saw the potential to be gained from low-cost labour in the mid-1980s. Admittedly they had a geographical advantage. European and U.S. companies moved into China in the mid-1990s. Canada has been aware of China only in the last five years. Playing catch-up may be part of the Canadian psyche, but this country's multicultural make-up is helping overcome that deficit. Cultural differences are considerable, but there appears to be no lack of Chinese-Canadians helping Canadian companies set up operations in China. "They know Canadian culture but being originally from China they can form a bridge between the Canadian companies and the Chinese companies," Mr. Sezerman says.

Canadian trade officers, too, need to play a role. They need to investigate the companies that Canadian companies want to do business with for their creditworthiness and reliability. "That's the biggest handicap that Canadian companies face — the partnership they're forming in China. Is it going to be fruitful? China has the attitude in people and government to be successful. It is improving but, at the same time, for everything that's good you have to be careful with whom you're dealing."



Omur Sezerman, president and CEO of OZ Optics, is weathering the fibre-optics swoon by building up markets among non-telecom firms in countries such as China.

The economic and business change he has witnessed since his first visit five years ago has been considerable.

"China was being used for low-cost labour for toys and clothing, but in the last 10 years it has been used for high tech. Their wireless technology is

the best in the world. When they opened their doors to the West, for the first 10 years they were manufacturing low-end products; the last 10 years it's been high-end products. What's scary is that they are developing good-quality products at low cost. That's good for China,

but bad for those who want to manufacture outside China.

"I see a very good future for OZ Optics there, but the big caveat is the political situation. If the political stability in China stays, I don't see any problem. Everything I say I have to qualify with political issues."