CONSIDERATIONS FOR ENTERING CHINA

By Mark Ray, Managing Director
Sovereign (China) Limited
About Me…

• From North America
• 12 years in China
• Assisted 300+ clients enter China
We Provide a Number of Services To Support Foreign Invested Enterprises

- Market Understanding*
- China Corporate Structuring
- Payroll & Social Benefits
- Holding Company Setup
- Tax Advisory & Support
- Other Market Entry Related Services

* Depending on how specialized the need, we may use strategic partners
We Help Companies That Have A Long-Term Strategy For SUCCESS

We allow our clients to focus on their core business without worry so they can do what they do best
BEFORE WE BEGIN...
Perception: China’s a Wonderland!!!
Reality: It’s a Minefield!!!
...AND FOREIGN COMPANIES FACE MULTIPLE CHALLENGES IN CHINA
The regulatory environment is:

1. Complicated
2. Vague
3. Rapidly Changing
There Is Unequal Treatment of Foreign Companies

Because of the additional scrutiny, it is extremely important for foreign companies to be compliant, follow procedures and not “bend” any regulations.

- Enforcement of regulations
- Fines for infractions
- Payment of taxes and employees
A “Good Enough” attitude is commonplace…

…which works until it DOESN’T
GRAFT is commonplace
Three things necessary to succeed in China

1) Understanding
2) Activation / Demand
3) Expertise
UNDERSTANDING
What Is It That You Need To Understand?

- Are products / services FFM?
- What is the regulatory environment like?
- Who are the competitors?
- Who are potential partners?
- What is the best channel to market?
- Is an entity required?
PARACHUTING IN ONCE OR TWICE A YEAR IS **NOT** THE WAY TO LEARN
Market Research Typically Needed To Determine If Products Are FFM

More challenging than B2C

Requires “boots-on-the-ground” to conduct multiple in-depth interviews

Secondary research needed from multiple sources

VS.

Copious amounts of data available - if you know how to access it

Can utilize e-commerce ecosystem as market proxy
ACTIVATION / DEMAND
Would you buy it?
SNOW BEER:

ONE OF THE LARGEST SELLING BEERS IN THE WORLD!!!

• 100 Million hectoliters produced each year!
• Sold mostly in China
Spend $$$

Accidental activation

Past case needed IN CHINA

Fit For Market (FFM)
Long Live Summer
可口可乐 畅爽“开始”
EXAMPLES OF ACCIDENTAL ACTIVATION

14,187 Daily Searches

15,509 Daily Searches

20,372 Daily Searches
EXPERTISE
EXPERTISE

Learn

Hire

Outsource / Partner
Many Types Of Partners Exist

- Market intelligence
- Marketing / branding
- Logistics
- Professional services
- Operational
- Product customization
- Operations support
- Search optimization
- Distribution
What Do YOU Need To Do?
Regardless Of Market Entry – **REGISTER YOUR CHINA TRADEMARK**

- Register your trademark
- Understand the market
- Activate the brand
- Acquire the necessary expertise
- Identify appropriate model and partners
Three Steps In Go-To-Market Approach

Prepare

- Market Entry Strategy
  - Market Analysis
  - Brand Analysis
  - Competitor Analysis
  - Identification of key partners
  - Go to Market Strategy
  - Brand Planning

Enter/Launch

- Awareness
  - Establish entity (if needed)
  - Determine office/site location
  - Business/Brand development

Grow/Optimize

- Operations
  - Daily Operations
  - Compliance
  - HR Management
  - Sales/marketing operations

Channel 2

Channel 3
Other Key Takeaways

- Don’t check your brains in at the border
- “Guanxi” retires or goes to jail
- China is “Rule-by-Law”
- Be flexible with deadlines
- Commitment of senior management a must
- Be mindful of corporate rigidities
- Know what you don’t know
- China is a low-trust business environment
- Chinese are not cultures, they are unique personalities
- There’s no such thing as a China expert
Other Resources

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Questions

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