

The Sovereign logo is centered in the upper half of the slide. It consists of the word "SOVEREIGN" in a bold, white, sans-serif font, followed by a small "TM" trademark symbol. This text is set against a black rectangular background. Below the black rectangle is a solid red horizontal bar. The entire logo is enclosed within a thin white border.

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CONSIDERATIONS FOR ENTERING CHINA

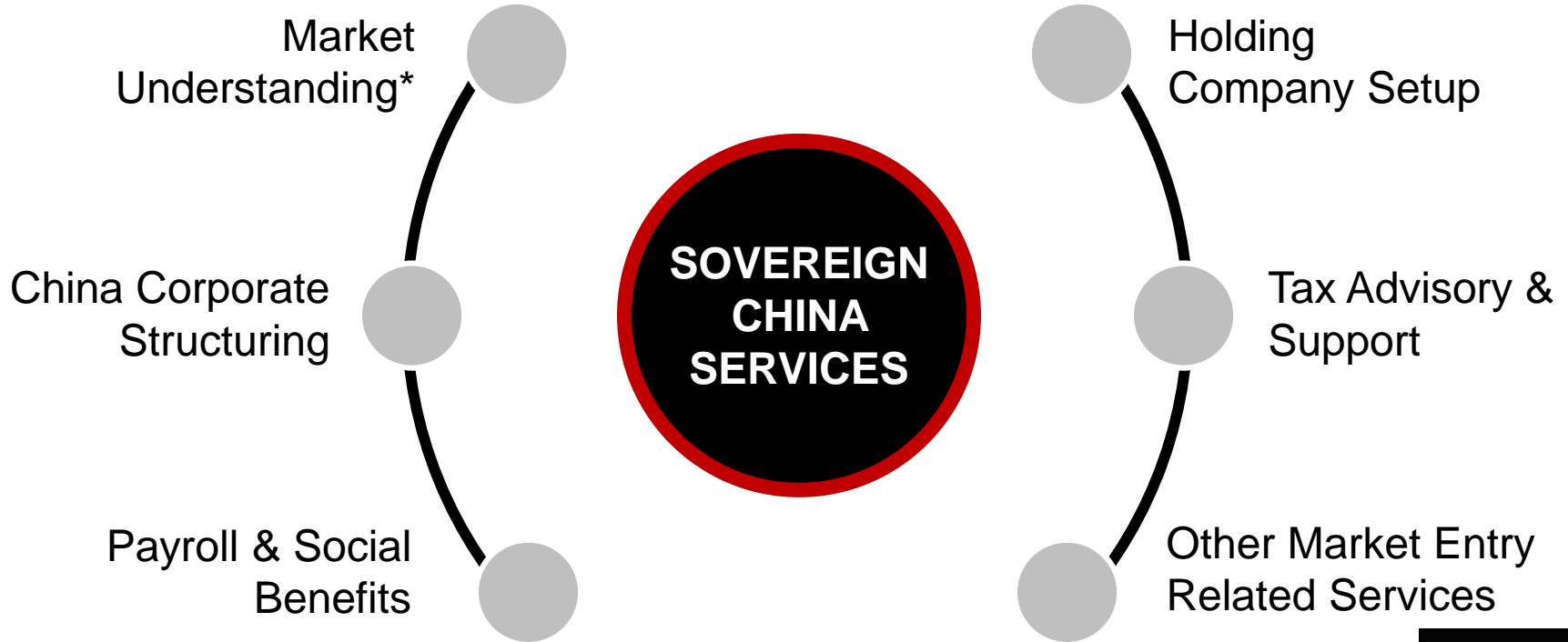
By Mark Ray, Managing Director
Sovereign (China) Limited

About Me...



- From North America
- 12 years in China
- Assisted 300+ clients enter China

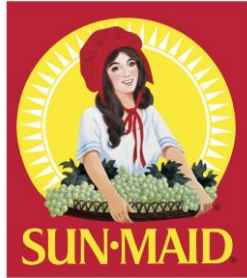
We Provide a Number of Services To Support Foreign Invested Enterprises



We Help Companies That Have A Long-Term Strategy For **SUCCESS**



BOMBARDIER



We allow our clients to focus on their core business without worry so they can do what they do best



BEFORE WE BEGIN...

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Perception: China's a
Wonderland!!!

SOVEREIGN™



Reality: It's a Minefield!!!

SOVEREIGN™



**...AND FOREIGN COMPANIES FACE MULTIPLE
CHALLENGES IN CHINA**



The regulatory environment is:

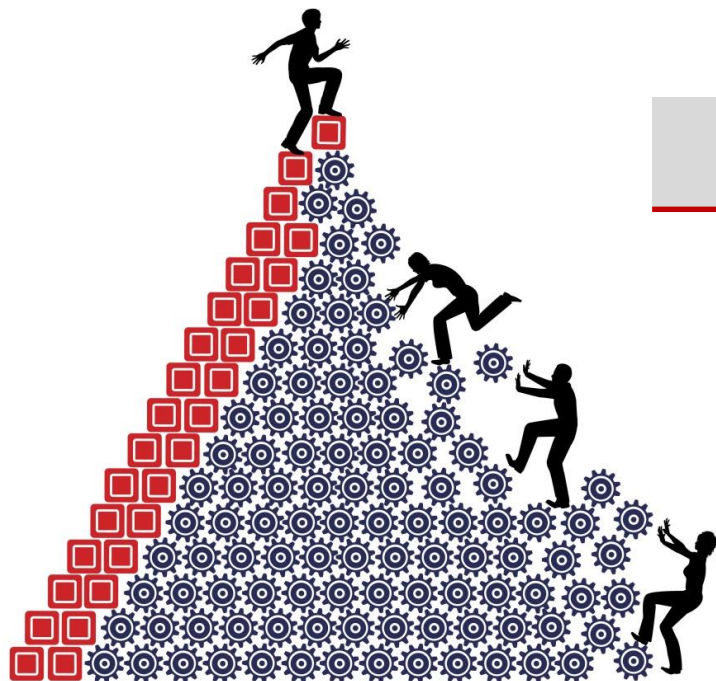
1. Complicated

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

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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?

A person is seen from behind, suspended in the air by a large, dark-colored parachute. The parachute is fully deployed and has a small red flag at its apex. The person is in a stable, upright position, holding the suspension lines. The background is a warm, orange-hued sky, suggesting a sunset or sunrise. The overall scene conveys a sense of calm and control, contrasting with the text's message about learning to parachute.

**PARACHUTING IN ONCE OR TWICE A YEAR
IS NOT THE WAY TO LEARN**

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Market Research Typically Needed To Determine If Products Are FFM



VS.



More challenging than B2C

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

Secondary research needed from multiple sources

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

Can utilize e-commerce ecosystem as market proxy



ACTIVATION / DEMAND

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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 \$\$\$

B2C/B2B

Accidental activation

B2C

Past case needed IN CHINA

B2B

Fit For Market (FFM)

B2C / B2B



Long Live Summer

盛放夏天

gap.cn



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

SOVEREIGN™

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



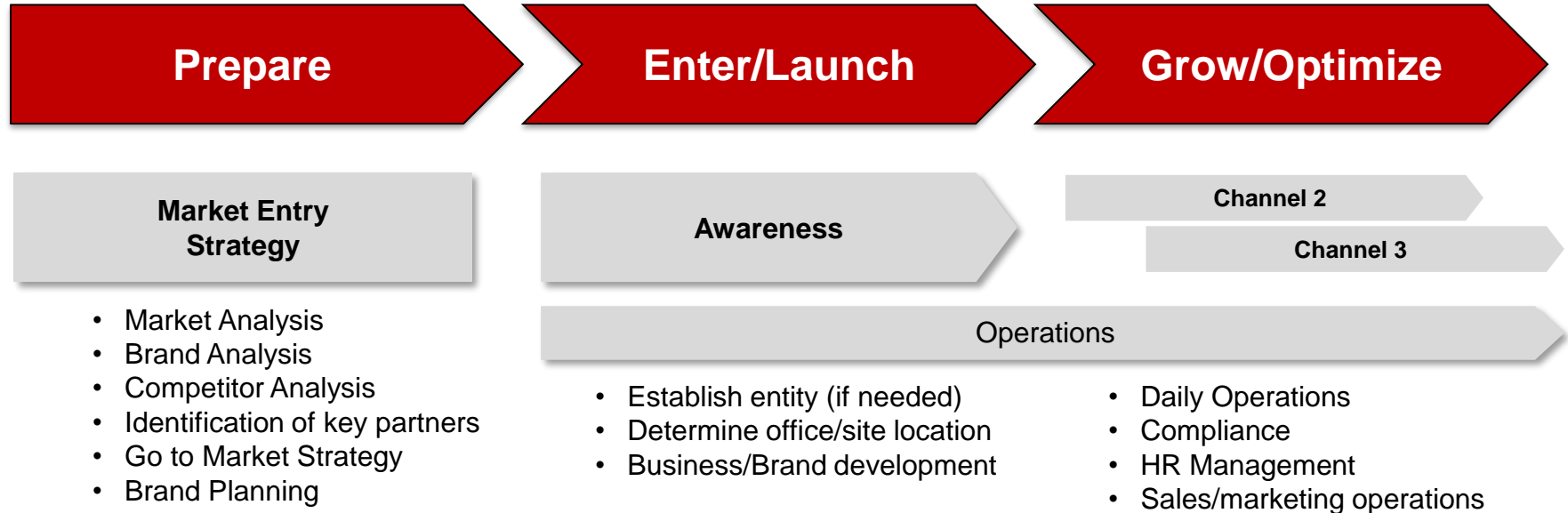
Acquire the necessary expertise



Identify appropriate model and partners



Three Steps In Go-To-Market Approach



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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