

# Eight things your business needs to do to break into China



In the Chinese zodiac, 5 February 2019 is the beginning of the Year of the Pig, more specifically the Yin Earth Pig.

In Chinese astrology, the pig is both regarded as a symbol of wealth and good fortune, despite being the last of the 12 zodiac signs because he overslept and was the latest animal to arrive at the party when the Jade Emperor was choosing the order.

The People's Republic of China (PRC), also known as the "Middle Kingdom", is a notoriously tricky place to do business. If you are setting your sights on breaking into the world's second largest economy, the following quick-start guide will help make the Year of the Pig a successful one.



## 1 Do your research - get to know the Chinese e-ecosystem

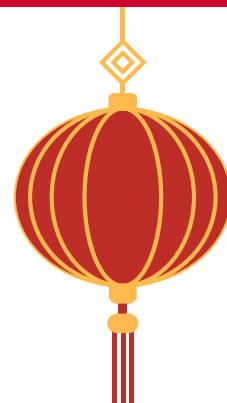
Before embarking on any international business venture your primary focuses of research should be the country, the makeup of the industry you will be entering and the extant competition within that industry.

Online portals are the primary gateway for foreign products into the Chinese conscious - securing a presence across the major outlets will be the difference between success and failure. In this respect, the first thing to appreciate is that China's internet environment is radically different from the online landscape in the Western world.



### End of an era

The year of the Earth Pig brings the 12-year zodiac procession to a close, ahead of the beginning of a new cycle in 2020 with the Year of the Metal Rat.



While more than 72,000 searches are being performed on Google **each second**, it ranks as only the **sixth largest search engine in China**, where **Baidu** is king.

Although Amazon is the largest online retailer in the world, its share of the Chinese market pales in comparison to that of **Tmall**.

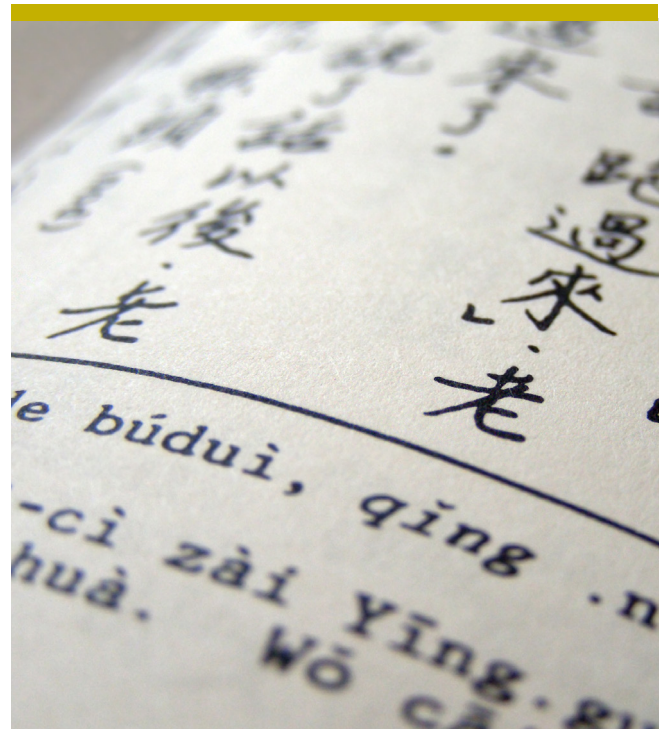
Once you've done some initial research, sources like the **China-Britain Business Council** and the **Department for International Trade's China** section will be invaluable assets in crystallising some of your thoughts about proceeding.

## 2 Accept that culture is king

China is vast, its history profound and its culture diverse. Traditional Western business practices will flounder in an environment where both fundamental attitudes and organisational principals are seismically different. For instance, collectivism is enshrined over individuality and the socioeconomic world is arranged around a lunar, not solar, calendar.

Three concepts fortify the attitude with which the Chinese do business – **guanxi, mianzi and renqing**. Roughly translated as connections, saving face and exchange of favours respectively, these three notions are the social pillars on which Chinese business is built.

An understanding of these principles is vital to get your business off the ground in the PRC.



### Radically different

The Table of General Standard Chinese Characters is a standard list of 8,105 Chinese characters. Of these, 6,500 are designated as common.



### Bristling with opportunity

Rapid economic progress has seen the Chinese middle class hit 400m, larger than the combined populations of the UK and United States combined.

## 3 Commit to the Chinese language

With a population of almost 1.4bn people and **1.3bn speakers of 13 different forms of Chinese**, you will get nowhere without a grounding in the language of the Middle Kingdom.

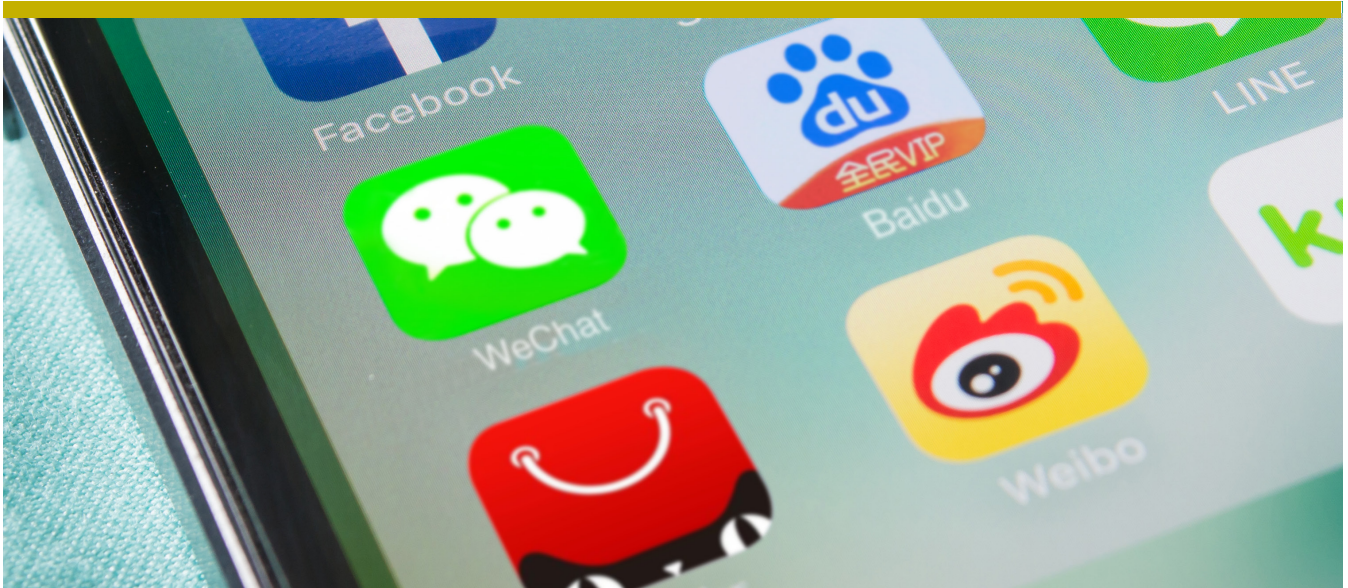
Despite China's economic clout, the difficulties posed by the **logographic written system** – based on characters that represent words, rather than letters that make up words – Chinese is unlikely to supplant English as the global language of commerce. That said, it is the only way to communicate in the PRC.

Whether this involves the onboarding of partners or agents who speak and write in Mandarin or opening a field office that employs native Chinese staff, binding yourself to the de facto language of business will show your company's long-term dedication to making its foray into China a success and not just an adventure.

## 4 Decide what Chinese consumers really want

And will you be able to provide it? Chinese consumers are flocking in their droves to online market places to engage with international brands **across a number of categories** such as beauty and healthcare products, mother and baby brands and grocery items.

The Chinese domestic market is flooded with counterfeit goods, as a result, the modern Chinese consumer is attracted to trust and authenticity in terms of the foreign products they source.



### A whole new world

China's 700m smartphone users navigate around a cyber landscape where major Western companies have a much smaller part to play in comparison to domestic giants.

## 5 Define who makes up your customer base

After figuring out what they want, it's vital to find out who they are. Understanding the demographic landscape of your potential customers will decide everything from the tone of your marketing communications to the logistics behind getting your products from A to B.

Chinese shoppers that buy foreign products are generally concentrated in the more affluent **south-eastern regions of China**. Gender and age demographics show that the average cross-border consumer is most likely to be a male, university educated and in between the ages of 26 and 40 years old.

## 6 Sort out your distribution

While restrictions on the distribution of foreign goods have been amended in previous years, licensing and approval is far from straightforward. A China-based partner will be crucial in your brand's success in the Middle Kingdom.

Define essential criteria that you need from a distributor, whether it be linguistic knowledge, sector-specific penetration or coverage of a geographical area. It would be prudent to create a longlist of potential distribution partners to then narrow down to a handful of the best contenders before engaging.

As with any working relationship, an assessment of the company's capacity should be made alongside an appraisal of the people that run it: human relationships are as important as business capabilities.

## 7 Go social

There are more than 700m smartphone users in the PRC and social media platforms are a key route to market for the modern Chinese consumer.

According to a study conducted by global management consulting and professional services firm, Accenture, showed that Chinese millennials **were using social media to shop** significantly more than the global average, and were also more happy to engage with online sales associates than their global peers.

A presence on China's major social media sites – **WeChat** and **Weibo** – is a must for any brand with its sights on breaking into the Chinese market.

## 8 Plan for the best, prepare for the worst

While planning for expansion into a new market, it is always prudent to have an exit strategy if everything goes awry.

Although the potential for success in the Chinese marketplace is vast, the PRC can be an unforgiving place for new entrants. While desire, optimism and tenacity are key to prosper in business, so is the level of detachment that allows for a dispassionate assessment of the status quo.

Knowing when to cut your losses is as important as chasing the winners – having core goals that code for success and the rationality to think twice if those goals are not met will stand anyone in good stead when embarking on a Chinese project.

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