

Why China?



Overview

China is a huge and expanding market – UK exports to the country reached almost £4 billion between January and May 2012, up by 21 per cent on the same period in 2011.

China is the great economic success story of the past 30 years. Since the “reform and opening-up” policy was introduced in 1978, China has changed beyond recognition. A Soviet-styled planned economy has transformed into a vibrant market-oriented economy and 600 million people have been lifted out of poverty.

Well known for its manufacturing capability, China is the largest global producer of toys, textiles, washing machines, cameras and computers (among hundreds of other products). It is also the world's largest consumer of iron, steel, coal and cement, and China's hunger for raw materials continues. Over a million enterprises have flourished, and nearly 40 Chinese companies have entered the global Fortune 500 list.

With rapid and continuous industrialisation and urbanisation, a vast and fast-growing consumer market has emerged. Bicycles and Mao suits have been substituted by 110 million cars (now the largest car market in the world), international labels and luxury goods. China is also the world's largest ICT market, with over 1.1 billion mobile subscribers as of end 2012, and 564 million internet users – over 42 per cent of the population. Private consumerism continues to develop with greater sophistication.



Driving global economic recovery

The Chinese economy has grown at just under 10 per cent a year for 32 years, overtaking Japan in 2010 to become the world's 2nd largest economy. According to the OECD, China is projected to overtake the US in 2016 (in PPP terms).

While many of the world's major economies are still struggling to recover from economic contraction, China's economy grew by 9.2 per cent in 2011, down from 10.3 per cent in 2010, and this economic slowdown continued in 2012, to around 8.2 per cent. This is partly due to suppressed demand in China's largest export markets (Europe, USA) but also to tightening of monetary policy in late 2011. The Chinese government has subsequently now begun loosening monetary policy and has launched a major investment programme to ensure growth does not slip below the official "target rate" of 7.5 per cent.

There are significant changes in China's growth strategy. Traditionally, China has provided low-cost manufacturing solutions for the global market, but exports declined sharply after the global downturn and China's manufacturing industry has responded by quickly moving up the value chain.

The Chinese Government is pressing hard to improve infrastructure and social welfare as well as targeting resources to develop China's vast rural and interior regions, aiming to unleash domestic consumption among the wider population. Industrial structures are

shifting inland with dozens of new cities emerging and coastal areas developing into sophisticated urban clusters.



Seizing opportunities

While the rise of China is easy to acknowledge, businesses constantly need to catch up with the speed and depth of change and development in China's large and complex market space.

Whether selling, trading, investing or franchising, China offers opportunities in abundance to UK companies, large or small.

Researching the market – Where to begin

Doing business with China can seem rather daunting for those new to the market, but taking a strategic approach is the key to making the process manageable. For instance, the Hong Kong market can give companies an easier first step to break into the market.

Companies should conduct reliable research before venturing into business in China. Good research saves costs and improves the efficiency and impact from the start of a project.

Desk research General introductory business information concerning China is increasingly available and companies can obtain a reasonable amount of preliminary information through desk research.

Economic research and sector analysis can often be obtained from a large number of leading consultancies, research agencies and public sector trade promotion organisations. Furthermore, the increasing use of e-commerce and B2B websites in China has made identification of (and access to) potential business partners possible across the globe.



However, up-to-date and reliable business information to help guide business strategies and decisions can be hard to find in China, especially given the pace and scale of the market's development. Obtaining dependable information and insights from secondary and publicly available sources can often be more difficult than in Western markets. To gather intelligence, there is greater reliance on primary qualitative research (such as using in-depth interviews).

Do you know the answers to the following questions before you start venturing into China:

- What are the unique selling points to your business proposition?
- Will there be a market for your product and services?
- Are there any legal barriers to your business model?
- Where in China would you start?
- Do you have sufficient resources (management time, project finance and expenses) to fund your China projects?
- Who will be leading the project within your company?
- Do you need to work with a partner in China to succeed?
- Can you communicate with them effectively?
- Have you evaluated business risks (such as protecting your IP) and conducted research and due diligence?
- Do you know how to secure payment and get the right quality products?
- Would Hong Kong be a safer place to start?

Rarely will you have answers to all the questions above and this “knowledge gap” can form the basis of your further research and investigation.

Consultation and bespoke research Research based on secondary information is often inadequate. Many websites and online materials are written in Chinese; the quality and reliability of content varies greatly and sometimes certain information is simply unavailable. It is therefore essential to verify the initial research findings and conduct further investigation.

Often this requires mapping out a bespoke research brief with the help of specialists, and exploring what additional information you might need to make an effective entry into the market, and how you can make the contacts vital to success.

The Overseas Market Introduction Service (OMIS) is a UKTI service delivered by CBBC in China and UKTI in Hong Kong and Taiwan. This service can assist you by undertaking tailored research using their extensive network of dedicated researchers across the market.

This can be used in a wide variety of ways to help your business with its particular needs when entering the Chinese market. Possible ways in which OMIS can help your business include:



• **Market research & analysis**

- Sector reports
- Market initiatives
- Regulatory environment
- Market opportunities
- **Identification of local contacts**
 - Agents
 - Distributors
 - Suppliers
 - Potential partners
- **In-market activities**
 - Meeting arrangements
 - Event organisation, such as workshops, seminars, promotional activities and product launches.

For more information about how OMIS might be used to assist your company's strategy for China, contact the CBBC's OMIS team at omis.london@cbbc.org, or your local UKTI International Trade Adviser via www.ukti.gov.uk/export/unitedkingdom/contactus

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