
IMBA

NCCU

Doing Business in China

Speaker : Dr. Edward Lee

Edward Lee: China Experience

1. Has been serving China market since 1985.
2. Former Walt Disney (Licensee) General Manager – China.
3. Former Hallmark (Licensee) General Manager – China.
4. Former Deputy General Manager, China Aerospace Group (former Ministry of Aerospace, PRC)
5. Former Chief /Head of Risk Management – Arthur Andersen.
6. Former Commercial Specialist – Department of Commerce, USA
7. Former Far East Director – State of Alabama Government, USA
8. Former Negotiator – Winston & Strawn Law Firm (The launching agreement of No. 2 Chian Zen Rocket between Western Group, USA and Ministry of Aerospace, PRC).
9. Senior Advisor – China General Chamber of Commerce (former Ministry of Internal Trade)

China Map

People's Republic of China (PRC):
Administrative Divisions & Territorial Disputes



- 1) 23 Provinces,
- 2) 4 Municipality,
- 3) 5 Autonomous regions,
- 4) 2 Special Administrative regions.
- 5) 56 Ethnic groups
- 6) 300 Languages

China Fact Sheet

Area:	9,596,960 sq km
Population :	1.37 Billion (2015)
GDP Growth:	6.9% (2015), 7.3% (2014), 7.5% (2013)
GDP Per Capita :	USD 14,100 (2015) ???, 13,300 (2014) ???, 12,400 (2013)???
Export :	USD 2.143 trillion (2015 est.) 2.244 trillion (2014 est.)
Import :	USD \$1.576 trillion (2015 est.) 1.809 trillion (2014 est.)

Characteristics of China Market

- Large in size – both land and population
- Rapid changes - consumer taste and environment
- Lack of regulations - not a mature market yet
- Short sightedness – only focus on price cut, and
- Big difference – in terms of customer income, consumer behavior, economic development stage

Characteristics of China Market

- Focus on “Guanxi”
 - Never direct, always guess
 - Very complicated and confused laws, rules and regulations
 - Too much focus on “procedures”
 - High tax rates
 - Very difficult to fire staff
 - Conflicts raise because of cultural diversity
 - Copyrights are simply ignored
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Not A Market Economy

- Government interventions.
- Major State Own Enterprises (SOE) CEO are appointed by Government or Government Officials.

Market Competition

- Fast changing
- Government intervention
- Unpredictable

Culture & Social Forces

1. Language
2. Religion
3. Education
4. Family
5. Work and Leisure
6. Reference Groups

Attention !!!

When doing business in China

Attention

- In-balance in regional development
 - Huge gap between rich and poor
 - Competitions among provinces, cities, even districts
 - Uncoordinated / Contradicted policies between local and central governments
 - From export to import
 - From low cost to high cost manufacturing
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Attention

- Manufacturing moves from costal areas to inland cities due to high manufacturing costs
 - Difficult to recruit professional international executives
 - High staff turn over rate
 - 20% Science, 80% Art
 - Short sight : lack of long-term development strategies
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Attention

- Protectionism exists in different provinces, cities.
 - Counterfeit
 - Different consumption behavior between old and new generations
 - Government relationship is much more important than customer relationship
 - Difficult in performing market research
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Target Market

- Who are your target customers
- Which is your market segment
- The Hallmark Case

Chinese Consumer Behavior

- People no more worry about the base needs after the Open Door since 1980s.
 - Rapid expenditure on real estate, entertainment, travel and services industries.
 - Favor western import and branded products.
 - Unlike the old generation, young people do not save money in banks.
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Chinese Consumer Behavior

- Spending focus on housing, traveling, communication, household electrical appliances, and life insurance policies.
 - More rational.
 - Huge demand on luxury, imported and brand products.
 - Young generation becomes the major customers.
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Different Consumer Behaviors

- Beijing
- Shanghai
- Guangzhou

Special Chinese Business Behavior

1. Face

- Where to sit in a banquet
- How to order foods in a banquet
- How to walk

2. Everyone says s/he is the decision maker.

3. Personal interests is higher than company's interests.

4. Focus on seniority, status and identity (CASIL 7 cars).

5. Everyone claims s/he has good “guanxi”.

Challenges of Foreign Enterprises

1. Hard to recruit qualified staff
 2. High salaries
 3. High taxes (the Four insurance: Medical, retirement, unemployment, and housing MPF).
 4. Knowledge and know how copying.
 5. The rise of local enterprises.
 6. Illegal rebate.
 7. Low loyalty.
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Challenges of Foreign Enterprises

8. Low performance standard and careless.
 9. Challenges on moral standards and business ethics.
 10. Restrictions on political and religious discussions (7 “Don’t Say)
 11. Low market growth rate.
 12. Too much entertainment.
 13. Difficult to control supply quality.
 14. Frequent changes on Government policies.
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Challenges of Foreign Enterprises

- 15. High international school tuition.
 - 16. Poor quality on food.
 - 17. Air pollution.
 - 18. Frequent flight cancel and delay.
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Ways to React

1. Respect, do not always use western ways of thinking and practices.
2. Try not to appeal to legal jurisdictions.
3. Train local staff.
4. Give “face” to your counter parts.
5. Detail explanation avoiding mis-understanding.
6. Never look down on any people.
7. Respect the others. Don't always think that you are special because you are a foreigner.

Ways to React

6. Understand the actual PRC economic development.
7. Understand the legal system.
8. Understand interpersonal relationship – “Guanxi”.
9. Pay special attention when picking up a local partner.

Conclusion

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