

Understanding the Critical Success Factors of Doing Business in China – Lessons Learned No. 1-5 (Part 1)

- China.direct.biz, by Noam David Stern (12 July 2021), Update

Since I moved to China in 2005, I have been providing practical advice and supporting services to mostly Scandinavian but also some US, UK and Australian companies with their market access, company set-ups and operations in China.

Over the years, I have assisted numerous overseas B2B and B2C companies and project managed the set-up and start-up of about 65 Foreign-Invested Enterprises in China.

Based on my own extensive hands-on experience in China, I have created my own **Top 10 Lessons Learned** of what I call the **Critical Success Factors of Doing business in China**.

In the following, I will go through the first five. Please refer to the published Part 2 for the last five.

Lesson Learned No. 1:

Do not consider China as one big national market but as many regional and local markets (including pockets of similar markets) with their own unique characteristics.

From abroad, it is very easy to get hooked on the promise of untapped market opportunities in China, but without a proper understanding of China's enormous size and diversity, many foreign companies end up treating China as one big market along the same lines as their own domestic market.

But this is a big mistake as the latest consumer trends and buying preferences in Shanghai or Beijing are rarely the same as in Harbin, Xian or Chengdu.

But given China's many large urban population centers, foreign companies will find pockets of similar consumers who are just as sophisticated and demanding as elsewhere.

So, in conclusion:

No matter where you enter or operate in China, it still requires local know-how and experience to succeed in the Chinese markets. There is no "one-size-fits-all".

Lesson Learned No. 2:

Assume everything works differently in China and consider all similarities a 'bonus'. China is its own unique Eco-system.

Foreign companies new to the Chinese market can easily be deceived by first impressions during a trip to Shanghai, Beijing or Shenzhen where it is easy to get overwhelmed and excited by seeing the modern skyline, visible affluence and technological progress.

On the surface many things may look similar, familiar or even more advanced than in the West, but this is a risky misconception full of hidden pitfalls.

As a result, many foreign companies quickly get impatient, frustrated or disappointed when doing business in China because their expectations do not match reality.

So, in conclusion:

Be fully prepared for the challenges ahead and recognize early on that China represents a unique market that follows its own logic and special ways.

Lesson Learned No. 3:

In China, it is not uncommon for potential partners to only show you the tip of the iceberg and not what is hidden beneath the surface. If it is too good to be true, it probably is.

When doing business in China, many foreign companies are easily misled and taken advantage of by local officials, suppliers, distributors or clients who promise quick and easy access to the Chinese market through their personal connections and network.

Here, they will often paint a bright picture and promise great rewards until the point of no return when they have secured your signature.

The foreign company will then suddenly be presented with different requirements, obstacles and costs that have never been mentioned before under the pretext that "this is how things are done in China".

So, in conclusion:

Never conduct business in China based on wishful thinking and always consult with an independent third-party for advice and background checks.

Lesson Learned No. 4:

When doing business with the Chinese, remember the words of Winston Churchill: “Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning”.

It is important to recognize that doing business with a Chinese party is often based on building personal relationships as a way of establishing trust in a society where the Rule of Law is less developed.

To negotiate a business deal in China can be a demanding and frustrating task that takes much patience.

But once signed, the agreement is often considered the starting point of an ongoing business relationship rather than just a final deal covering every scenario and eventuality.

So, in conclusion:

Always seek practical support from an experienced and trusted Chinese-speaking adviser who can be your eyes, ears and confidant during the negotiations.

Lesson Learned No. 5:

Do not assume that the average Chinese consumer knows ‘Nordic Values’ and ‘Made in Scandinavia’ will sell on its own. Chinese consumers are spoiled for choice from around the world.

In China, many Nordic companies are rightly proud of their unique design tradition, craftsmanship and high-quality products but somehow assume that Chinese consumers know this heritage that is an integral part of many Nordic brands.

As a result, many products are branded ‘Nordic’ by using generic buzzwords like sustainability, healthy or safe as if this will automatically tempt and trigger Chinese consumer to buy their products.

But with China's expanding middle class and rising prosperity, Chinese consumers are daily bombarded with new products and brands from around the world that also highlight their unique legacy and product features.

So, in conclusion:

Building brand awareness and a strong customer base in China takes long-time commitment, investment and the ability to adapt to constantly changing market conditions.

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