

Take your business to China – now

There has never been a better time to start exporting to China than now. The Australian business environment is largely made up of small businesses and to remain competitive they should be looking to China to expand: the Australian domestic economy is just not big enough to support them!

China is geographically well positioned to Australia, and our goods and services, technology and education exports are in demand. The Chinese economy is in good shape, and consumers are looking to Australia to provide new, innovative and quality goods. Australian SMEs are flexible, innovative and customer focused, and their products and services are perfectly suited to the Chinese market.

China challenges for small business

Exporting to China has huge potential but planning, high risk and unforeseen costs can mean a quick and sudden death to a new project, or even the end of a small company that is financially constrained. The problem is, Australian SMEs do not know how to tackle the challenges in taking their business to China, or how to manage the risks. SMEs should take an assertive, yet conservative approach and seek proper guidance when commencing any new export project, as China in particular is not for the faint-hearted.

The question is, how do SMEs get their export projects off the ground without huge cost and high risk to capitalise on this opportune time, and is it even possible?

Many Australian SME business managers are ambitious, innovative and pioneering. This ability to self-empower often makes them impatient, such that their China research revolves around a quick search on Google, and snippets from the latest 'who made it in China' text. It is not uncommon to hear about a business owner who has set their sights on China, jumped on the next flight to Shanghai, spent in excess of \$5,000 and come home with little more than consolidation of their dream, but still no idea where to start. The Chinese have an appropriate saying for this (Yu su ze bu da) '欲速则不达' 'Haste makes waste!'

Starting an export project is complex. Where do you start and in what order do you address all the business requirements to develop a fundamentally sound business? New exporters complain that service providers cost money and tend to be segmented - ie there is no one-stop shop, not even at the government level - and it can be hard to determine what is really needed and where money can be best invested. In part this is true, but the cost to seek good advice is not prohibitive.

Speak with an expert first and foremost. Money is better spent seeking professional research, putting in place measures to protect and secure IP and have a consultant work to develop the all important foundations. Setting in place a strong foundation, will allow you to hit the ground running when the business takes off.

Exporters thinking about taking their goods/services to China, should think about:

- **Research:** find out if there is really a market for their goods, and in what format?
- **Understanding the challenges:** what are the rules and regulations of exporting their goods to China, and what are the associated costs?
- **An action plan:** how will they structure their business, should they find a distributor or set up an office in China?
- **An export team:** who are the people who can help them achieve their goals, and at what cost?

China is many markets

China is not one market, but many markets. Ask any mainland Chinese and they will tell you: “Chinese people are not all the same, but different depending on where they come from.” Each province and township has their own likes, dislikes and cultural differences. These differences must be understood and addressed by SMEs that wish to export into the China market.

To achieve this, an individual SME will require specific targeted research so that they can address these regional issues. This research helps identify suitable markets, set pricing to ensure competitiveness, and provide information on local tastes and taboos. Ongoing research, such as focus groups, will also help to identify new trends and opportunities for product diversification and innovation as the export project evolves.

Of equal importance to the new exporter into China is their legal advisory team, who need to be well versed on the complexities of the local Chinese legislation. Legal advisers can instruct on business set up, tax compliance, staffing, contracts and also be helpful with general business negotiations. It is important that the legal team have a strong understanding of not only Chinese law, but also local business practices, as well as having Chinese lawyers and speakers on their team.

Global management consulting firm McKinsey predicts that in China “more than 350 million people will leave the countryside by 2025, creating more than 23 megacities with populations upward of 5 million”. Australian exporters should take note, as these new urbanites will create new demands for goods and services as their tastes become more sophisticated and their salaries start to grow.

At the onset, hiring a China team to help research, plan and enact may seem costly. SMEs should consider this as an investment into their future rather than an expense and the growth of a sustainable business. This work can be outsourced and is more often a variable cost rather than a fixed ongoing one, which means when cash flow is low, projects can be put on hold. Equally, the cost may also be subsidised by dollar-for-dollar cash reimbursements from the government, for export marketing activities.

If you are an Australian SME with a product or service worth selling, then you should be in China now, or at least seriously considering it, as the opportunity will never be better than it is today.

—*Lisa Goodhand is director of China Operations at China Blueprint (www.chinablueprint.com.au), a business advisory service specialising in China.*

If you would like to learn more about exporting to China, China Blueprint and Think Global Consultants is hosting an **8-day China Immersion Tour** (November 21-19, 2009). See www.chinablueprint.com.au or www.thinkglobal.com.au for more details, or to register.