

Apr. 9, 2012

Solving riddle of doing business in China: Advice from insiders

By DIEMMI PHAM, special to WRAL Tech Wire

DURHAM, N.C. —Asia has been a hot topic lately due its tremendous growth in recent years. This has shifted game-player China from being a nation defined by imitation to a nation defined by innovation.

That was the major point of emphasis for Duke's 2012 Asia Business Conference held at Fuqua School of Business on April 7.

This year's theme was "Innovation and the Future of Asia" with keynote addresses from Carl Stern, vice chairman of Investment Banking at Goldman Sachs, Chip Hills, vice president of Apple China, and Jeff Williams, senior vice president of operations at Apple. Five discussion panels then followed covering the key areas of finance, human capital, healthcare, high-tech, and entrepreneurship.

The entrepreneurship speakers were Grace Ueng, founder and CEO of Research Triangle-based [Savvy Marketing Group](#), and Renee Hartmann, co-founder of [China Luxury Network](#). China Luxury Network helps luxury brands reach China's consumers, both inside of China and as they travel around the world. Savvy Marketing Group helps emerging growth companies get to the next level as well as launch new ventures within the Fortune 1000, including into new markets, such as China. Savvy identified the customized products and luxury goods market as one of six opportunity areas in China; along with alternative energy, food and beverage, agriculture (including organic farming), professional social network, and matchmaking websites.

The panel discussion was structured around a white paper Savvy Marketing Group published on [10 Ten Findings: Creating a Winning Business in China](#). In this intimate setting, we had really lively discussions on various aspects of starting a business in China. Although, there are a lot of logistical differences in how things are done, we found that at its core, marketing remained the same regardless of where business is being done.

Hartmann found that some of the most difficult challenges that she faced in China were more closely related to logistics; overcoming the different types of government, laws, tax codes, and the negotiation process. She found the tax code to be the most challenging. On top of income tax, where everyone in China has volumes of books relating to that topic, she also had to worry about VAT (value-added tax).

But moving beyond logistics, when it comes to doing actual business, in every aspect, marketing played the key role. Whether it's in the product created for the target market or the relationships built with partners, marketing is important.

Ueng and Hartmann offered insights on how forming business partnerships in China needs to go beyond the surface of a contractual relationship. It's important to build relationships and establish trust first. How one is introduced, or the degree of closeness of two people is key. To build broad relationships and establish a reputation of trustworthiness among various networks, it's important to market yourself well.

When it comes to the actual business, regardless of where the company is operating, it is extremely important to understand the market.

Hartmann offered an amusing story where a major shoe manufacturer tried to open stores in China and failed but couldn't understand why the Chinese youth didn't like their products. The reason is because popular culture in China is completely different and the Chinese youth are interested in completely different things. The firm brought their American lines into China expecting to see the same kind of sales as in the states. But the American style is not the same as the Chinese style and the Chinese youth found their products to be boring and unappealing. With her firm's

extensive knowledge and understanding of the Chinese youth market, they were able to help the company develop a product that became one of its best-selling lines in China.

The most lively and humorous part of the discussion had to do with finding localized talent. Finding good talent is essential anywhere. But knowing the talent pool and what motivates them will help a manager best communicate and work with them.

We had a great discussion on how there are now many wealthy Shanghai/Beijing kids and how they are not necessarily motivated by money and average job tenure before jumping to the next opportunity was often under one year. It was important for Hartmann to understand this and find other ways to motivate them in their positions. Without understanding this basic market condition, she couldn't have successfully marketed her company to tap into this talent pool and manage them well.

Another big point stressed by both Ueng and Hartmann was localization. China is a mass country and localized preferences are very different. Understand the local market - be it the consumers, potential employees, or potential partners. Penetrating into Tier 2 and 3 markets, as they grow their purchasing power, will become increasingly important in the future.

Copyright 2013 WRAL Tech Wire. All rights reserved.