



China Market Entry

Today, **China has become the world's fourth largest economy**, and its purchasing parity is already second to the United States. This means that both large players and smaller companies must include China in their strategic plans. China's Gross Domestic Product in 2004 realized a 9.5 percent increase over 2003. It has already increased 9.3 percent during the first six months of 2005. China has the strongest economy in the world at the present time.

China represents a staggering business potential for telecommunications, networking and enterprise technologies, applications and implementations. China's accession to the World Trade Organization is widely expected to trigger a further wave of inward investment from foreign firms as the terms of entry to new sectors of the China economy are progressively liberalized. Commence Technology Partners believes that the U.S.-based, high-technology industry's ability to grow out of the current recession is going to depend very significantly on these global markets. Why?

The China market represents a way for U.S. and European companies to help offset decreased revenues as Western corporations slash information Technology expenditures

- Expenditures for technology infrastructure such as networking and enterprise applications solutions are increasing at an increasing rate
- It will be more expensive both in terms of time and money to wait. Chances are, your competitors are already there
- It is difficult to ignore a market that comprises one-fifth of the world's population, and an economy which will soon be the world's largest For a technology company, the question isn't really "should we go to China." The question is "can we afford not to go"?

Establishing a presence in China is still a challenging experience for unwary organizations, however. The problems of growing market share or succeeding in China are unique. We help you take advantage of the exciting new opportunities in China by guiding your company in developing the right business relationships and cultural understanding to ensure your success in China.

China market entry consulting projects depend on the type of investment vehicle and on the amount of information readily available to the client. We evaluate considerations on the behalf of our clients and provide seamless multi-disciplinary services covering sales, marketing, business development and legal issues including our Global Market Entry strategic marketing and market research capabilities.

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Our experience has shown that companies typically go through three phases for a successful market entry. Phase 1 is an evaluation of the opportunity and the competitive landscape. In other words should you be there. Phase 2 is a more detailed China market entry strategy and determines how you will get there. Phase 3 is the actual implementation or the process of getting there.

Phase 1: China Market Evaluation (should you be there?):

- Evaluate WTO provisions specific to your business
- Evaluate market opportunity in your market segment. A key competitor in the U.S. may not be a key competitor in China. Conversely, a smaller competitor in the U.S. market may have a strong presence in China. We identify the competitive landscape in China and areas in which competitive weakness can be exploited

Phase 2: China Market Entry Strategy (how do you get there?):

- Decide the appropriate entry strategy (export, Representative Office, Joint Venture, Wholly Foreign Owned Entry). We identify the different entry strategies and determine their strengths, weaknesses and key issues relative to your business and capabilities
- Identify key cultural differences that will impact your business and how to overcome these differences
- Determine capitalization requirements and develop preliminary budget
- Identify potential customers (end-users, classical distribution, SI's, VAR's, etc.) that represent the highest probability of short-term success
- Identify potential Joint Venture partners (as necessary)
- Develop introduction roadmap
- Identify strategic relationships within government and industry
- Identify staffing requirements
- Identify tax issues
- Research office locations depending upon business and key customer base
- Conduct legal, financial and business due diligence

Phase 3: China Market Implementation (getting there):

- File appropriate forms and documents for company registration
- Monitor approval process
- Develop Feasibility Study, as required
- Develop strategy for State Government approval, as required
- Arrange partner introductions
- Advice on setting up a State Authorized Foreign Exchange (S.A.F.E.) account that allows the extraction of Chinese generated revenues to the home country

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- Arrange for product demonstrations and promotions
- Carry out preliminary business discussions with target firms
- Identify office, manufacturing and/or R&D space, as required
- Negotiate contracts (G&A services, business partner) as required
- Interface with China legal counsel as required
- Provide interim sales, marketing and/or executive management in China

Commence has over 240 years of experience working in China with our extensive relationships, ranging from the highest government officials to potential channel partners and end-user customers, we can help navigate the bureaucratic waters, speed up the process of government approvals, gain market intelligence and insider information not currently available, and act as your virtual China management team.

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2503 Bank of America Tower, Central, Hong Kong SAR Tel : (852) 2527-2228 Fax : (852) 2527-2221
2400 Sand Hill Road, Suite 101, Menlo Park, CA 94025 Tel : (650) 559-0301 Tel : (408) 850-1883
<http://www.commencepartners-usa.com>