



The Top Five Rules of Doing Business in China

1. Be Flexible and Maintain Diversity of Sourcing

China is a great place to source consumer products, but there are still plenty of risks. Occasionally, manufacturers go bankrupt, which will create tremendous disruption if you're doing business with them. Therefore, it's smart to be flexible and maintain some diversity when it comes to sourcing your consumer products.

2. Partner with Privatized Domestic Enterprises

Teaming up with private local companies provides many benefits. First, they offer tremendous cost savings if you outsource manufacturing. Second, they will serve you better by being your friend rather than your competitor. Finally, their access, distribution channels and know-how about the domestic Chinese market are extremely valuable for your market entry.

3. Look Beyond Lowest Costs

This may seem counterintuitive, since most companies look to China for lowest-cost sourcing. But keep in mind it may not be lower than some of the other emerging countries. Government incentives, reliability, speed of distribution and proper infrastructure are important factors to consider when choosing your sourcing location. Certain provinces may be good choices for your type of products because of upcoming major events or China's strategy to boost business in up-and-coming inland regions.

4. Use Sourcing as a Tool for Market Entry and Access

Although exporting to China has become easier, there is no substitute for being close to the 1.3 billion Chinese consumers. Besides, World Trade Organization rules will make it easier to distribute goods made in China to local consumers.

5. Understand Cultural Differences

Although smart and progressive, most Chinese people lack global business experience. People over the age of 35 grew up in an era in which the government provided everything. Use patience and flexibility to build good relationships with both central and local governments; without financial drivers, decisions traditionally were made based upon power and relationships.