

Preparing to export

Consultation and bespoke research

Visit: www.great.gov.uk/uk for guidance on how to research overseas markets as well as a range of other important issues for exporters.

Researching the Chinese market

China is not one single market. There are different regional economies and economic hubs. You will need to understand the regional economic and cultural differences that could impact the success of your product and develop the right strategy.

Read about the different economic regions in the CBBC's guide to choosing the right location, http://www.cbbc.org/cbbc/media/cbbc_media/A%20Guide%20to%20Business/Know%20the%20Market/Choosing-the-right-location-pdf.pdf?ext=.pdf at:

http://www.cbbc.org/cbbc/media/cbbc_media/A%20Guide%20to%20Business/Know%20the%20Market/Choosing-the-right-location-pdf.pdf?ext=.pdf

Visit the Department for International Trade's (DIT) events portal at: <https://www.events.trade.gov.uk/> to find upcoming events and missions.

You need to determine whether:

- there is a market for your product or service
- your pricing is competitive
- to adapt your business model

The questions listed below should help you to focus your thoughts. Your answers to them will highlight areas for further research and also suggest a way forward that is right for your company. You may then want to use this as a basis for developing a formal China strategy, although this may not be necessary or appropriate for all companies:

Your aims:

- Do you wish to buy from China, sell to China or both?
- Do you wish to establish your own company presence in China (for example through a corporate or non-corporate entity, direct sales, appointing a local agent, online selling, licensing or franchising)?
- Do you need to be involved in China at all?

Your company:

- What are the unique selling points for your product or service?
- Do you know if there is a market for your product or service in China?
- Do you know if you can be competitive in China?
- Are your competitors already in China? If so, what are they doing?
- Do you have the time and resources to handle the demands of communication, travel, product delivery and after-sales service?

Your knowledge:

- Do you know how to secure payment for your products or service?
- Do you know where in China you should start?
- Do you know how to locate and screen potential partners, agents or distributors?
- Have you carried out any China-specific customer segmentation, and do you know how to best reach potential customers in-market?

It is unlikely that you will have the answers to all these questions at the outset and these 'knowledge gaps' could form the basis for further research and investigation. Some of these questions will require quantitative research in your sector, while others involve more contextual and cultural considerations.

Talking to other people in your industry and regularly visiting China will give you access to the most current advice, and such experience can often lead to new insights and form the basis for further research.

You should carry out as much market research and planning as possible before starting to sell your products and services in China, using both desk research and visits to the market. As the market is so complex you should also consider getting specialist market research help.

Contact the CBBC's business support service to help you research the Chinese market. See: <http://www.cbbs.org/services/research/>.

There is also some useful guidance on developing a marketing strategy, customer segmentation, competitor and SWOT analysis etc. on the site at: <https://www.great.gov.uk/uk/> – and the IOE&IT can help too.

There are trade shows held in China each year, which could be useful to test product viability in the market. The Department for International Trade (DIT) Tradeshow Access Programme at: <https://www.gov.uk/guidance/tradeshow-access-programme> provides funding in the form of grants for eligible businesses to attend overseas trade shows.

The funding helps your business gain:

- market knowledge
- experience in attending and getting the most from overseas trade shows
- advice and support from trade experts

Visit the DIT events portal at: <https://events.trade.gov.uk/> to find upcoming events and missions.

Find out more about marketing your goods and services for China at: <https://www.great.gov.uk/uk/>.

Contact the DIT team in China at: <https://www.gov.uk/world/organisations/department-for-international-trade-china#contact-us> for events and company launches at the Embassy or Consulates in-market.

Start-up considerations

Visit: www.great.gov.uk/uk for guidance on how to research overseas markets as well as a range of other important issues for exporters.

Consult a local lawyer to avoid costly mistakes and ensure you start out in the way that is best suited to your sector of activity. See: <https://www.gov.uk/government/publications/china-list-of-lawyers>.

Getting started in China

You are likely to need a long-term strategy in China to achieve success. Some companies take a staged approach such as selling a small amount to test the market first.

Consult local English speaking lawyers and translators/interpreters to avoid costly mistakes and ensure your product or service is being sold in the most appropriate way. See: <https://www.gov.uk/government/publications/china-list-of-lawyers>.

You can find out more about getting started in the Chinese market on the CBBC website at: <http://www.cbbc.org/services/resources/>.

British companies can approach the Chinese market in several ways including:

Direct exports to China

Cross border e-commerce is a very attractive route to market for those wishing to 'test the water' in China, and is taxed at different rates and provides different routes to market from normal imports. See also the 'Selling online to China' section in this guide.

Agents and distributors in China

You may want to consider using export agents or distributors. You may also need to consider a number for different regions, and it can take time to find the right partners and establish relationships.

- Find out more about using agents or distributors in China, at: <http://www.cbbc.org/services/resources/setting-up-in-china/>
- Watch the CBBC's video on finding an agent or distributor in China, at: https://www.youtube.com/playlist?list=PLv_tMYysg7ROD-n2hCkPWBaYTRyxzMpFL

Setting up a company in China

Incorporating a company in China is a complex process requiring various approvals. You should seek professional advice early-on due to the difficulties in altering business structure once a legal entity is incorporated. Foreign companies cannot legally employ Chinese staff unless the company is registered in China.

The CBBC offers a 'Launchpad' service enabling companies to test the market before committing to a permanent presence. See: <http://www.cbbc.org/services/launchpad/>.

Selling online to China

Cross border e-commerce is a very feasible route to market for many companies. Also the customs requirements for Cross Border e-Commerce are simpler, requirements for Chinese documentation do not apply, and goods shipped via "direct shopping" or personal parcels will be subject to different (if any) checks.

Check out online e-commerce payers in China. You can access special terms negotiated by the UK Government there too. See: <https://selling-online-overseas.export.great.gov.uk/>.

You can start exporting in a few steps online. UK DIT can help you find the online marketplace best suited to your product or service in China, and access preferential deals negotiated by government.

You can sell your products and services to China over the internet through:

- your website (which will need to be hosted within the Chinese Government firewall and set up to work with Chinese search engines such as Baidu). However, you 100% legally sell to China via your own existing .com or .co.uk website – via cross border e-commerce
- a Chinese online e-commerce payer, e.g. WeChat

Watch the CBBC's video on selling online to China, at: https://www.youtube.com/watch?v=hCh3yROWW0U&index=2&list=PLv_tMYysg7ROD-n2hCkPWBaYTRyxzMpFL

Read the CBBC's guide to e-commerce in China, at: <http://www.cbcc.org/sectors/e-commerce/>.

You must not charge value added tax (VAT) for online sales to China – taxes on normal imports and cross border e-commerce are not the same. You need to fill out a customs declaration when you ship the products and keep W3proof of exportW4.

Franchising in China

Franchising of brands continues to grow in China. There are opportunities for UK brands, as increasing numbers of China's cities develop the relevant infrastructure and local governments encourage the creation of new businesses.

However, there are challenges including the complexity of local regulations and finding the right franchise licences.

Visit the international section of the British Franchise Association at: <http://www.thebfa.org/international> for more information on franchising.

UK-based consolidator exports to China

You can enter the Chinese market through a UK company that consolidates mixed containers to send to China. This will usually mean that the consolidator will do the paperwork and you will pay a fee to them.

Business incubators in China

CBBC's 'Launchpad' service is one of a number of incubator schemes in China. It provides a simple, cost-effective, low-risk and legal means of having a presence in

China, before you set up your own office, enabling you to test the market. See: <http://www.cbbs.org/services/launchpad/>.

You should conduct due diligence checks once you have chosen your method of entry into the market.

[Source – DIT/CBBC/gov.uk]

Getting finance to fulfil an export contract to China

Schemes are available to UK companies selling products and services to China to make it easier to fulfil an export contract and grow your business. Contact your bank or specialist financial organisations for assistance.

UK Export Finance (UKEF) has significant risk capacity to support exports to China. See: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#china>.

Contact one of UKEF's Export Finance Advisers at: <https://www.gov.uk/government/publications/find-an-export-finance-manager> for free and impartial advice on your finance options.

Getting paid in China

Your contract must be in a template suited to the Chinese market. It will need to specify the payment terms clearly. You must ensure the contract includes an arbitration clause.

Read CBBC's guidance on getting paid in China, at: <http://www.cbbs.org/services/resources/getting-started/>.

Payment risks in China

UKEF helps UK companies get paid by insuring against buyer default.

Be confident you will get paid for your export contract. Speak to one of UKEF's Export Finance Advisers at: <https://www.gov.uk/government/publications/find-an-export-finance-manager> for free and impartial advice on your insurance options, or contact one of UKEF's approved Export Insurance Brokers at: <https://www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers>.

Currency risks in China

China has a controlled currency reducing the impact of currency fluctuations. However, many Chinese companies prefer to be invoiced in US Dollars. It is sometimes possible to negotiate contracts in Euros or Sterling.

Transferring money from China

China's State Administration of Foreign Exchange (SAFE) strictly controls conversion of the Chinese Yuan Renminbi (CNY) to foreign currency. Chinese companies need approval from the transmitting Chinese bank to send foreign currency overseas. This requires:

- a written contract for the goods or services which is signed and dated by all parties
- a formal written invoice for every required payment which is signed and dated by the UK company in a form acceptable to the bank

It is advisable that both documents include a Chinese translation. Chinese banks may ask for additional documents such as:

- proof of existence of the UK company
- contract registered in accordance with Chinese law if payment is a royalty for a technology licence or similar agreement

Setting up a bank account in China

China's banking system is complex and restrictions apply to foreign companies. Foreign-invested entities (FIEs) need to establish at least two bank accounts:

- an CNY basic account
- a foreign currency capital contribution account

UK companies can set up accounts in China through their own bank (assuming it has a presence in China) or through a Chinese bank.

[Source – DIT/gov.uk]

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