



# Debunking the China Entry Myths

And why the China opportunity is rapidly shrinking



## The China business story so far...

Big. Growing fast. Huge opportunities. However, too hard to exploit...

Given the opportunities, thousands of Australians have attempted to do business in China. Only a few succeeded, most gave up early.

This paper by the China Australia Events Association (CAEA) and Lead Creation addresses how and why the China business story has recently changed. The paper has three sections..

- ❖ First, it explores the drivers of China's continuing growth. Then, the changes in where the economy is growing and how these changes are limiting the opportunities for Australian businesses.
- ❖ Second, it addresses why doing business with China has become easier.
- ❖ Finally, it explores how government funded research has created a new way for Australian businesses, particularly SMEs, to capitalise on China.



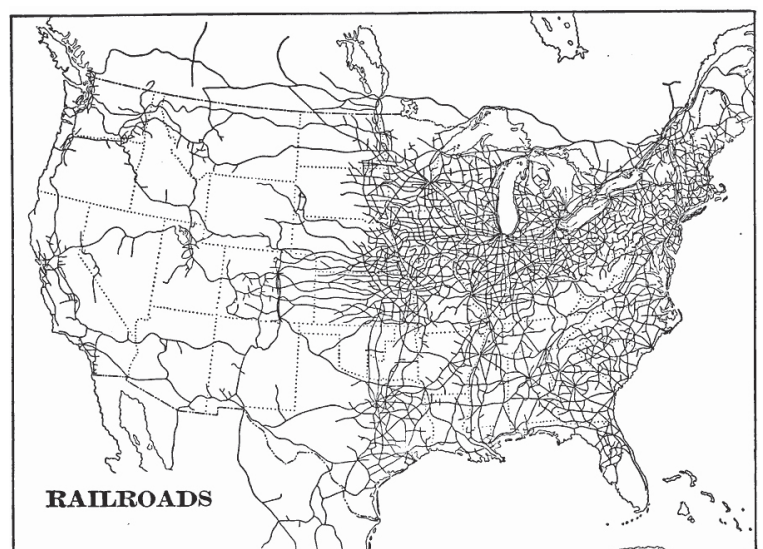
## 1. What's behind China's rapid growth? How has the growth changed?

### China, America and Market Dominance

We begin by exploring the parallels between Modern China's economy and America's rapid growth in the 19th Century. Then, we look at what's unique to business in China that recently accelerated her path to global economic leadership. Finally, we explore how China growth has changed and why this is starting to limit opportunities.

So what lead to US global leadership? Remarkably, the same 4 factors that are now driving China's rise...

- ❖ A giant population determined to build a better life
- ❖ A huge borderless market united by one language
- ❖ Great rail and road connections
- ❖ A hunger for international trade and global leadership.



American railroads in 1901!

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These factors led to what is now old news, that “China’s economy doubles in size every 10 years or so”.

These factors have had a bigger impact in China than the major impact they had in the USA. How? They became turbocharged in China...

- ❖ Population 4 times larger than America
- ❖ Faster trains, efficient new stations
- ❖ Modern and far superior trade logistics

But how is this history relevant to Australian business? In particular, to SMEs with limited resources?

Most Australians know there are huge business opportunities in China as it grows and opens up to the world.

So what’s the problem Australia is beginning to face? The industries and professions where China needs foreign technology and expertise are rapidly shrinking.

In all the most important ‘industries of the future’, China is aiming to be the leader. And has already succeeded in a number of them. Let’s look at two examples where China has leapfrogged into domination...



### The Last Steam Train

In 1999, China built its final steam locomotive - the very last country to do so. Amazingly, it now has more high speed rail-lines than the rest of the world combined and many more are on the way.

Driven by fast trains and many other infrastructure projects (airports, motorways, ports etc.), the economy is booming. By contrast, America’s infrastructure has degraded and high speed rail is non-existent.

## Renewable Energy

When it comes to the huge new industries surrounding renewable energy and mitigating climate change, China is becoming a world leader. America and Australia meanwhile have Trump and Abbot!

The result is that in many huge and Hi-Tech industries, China's need for the 'West' is greatly reduced.



Why has China's rate of change accelerated in just the last 3 years?

One simple theory can help us understand China's continual growth, but more importantly why they are now at the forefront of innovation.

This theory built Silicon Valley's global empire and powered the global domination of... Amazon; Facebook; AirBnB; Uber; LinkedIn; Skype and 100s of profitable niche players.

### Network Theory

The relative value of a network is the square of the number of members, minus 1.

$$\text{Value} = N^2 - 1 \text{ (so } N^2)$$

Facebook's value when it had a million in its network? Maybe \$5 a member. With 2 billion members, it's \$500 billion - a massive \$250 each. Old news, but still mind blowing.





Are cloud companies like AirBnB 'Networks'? Absolutely, like all Aggregators, they connect buyers and sellers so are powered by the same theory. The value of AirBnB is now [north of \\$50 billion](#).

Which powerful network impacts most on innovation and growth in China?



With 1 billion users in less than 7 years, WeChat is worth billions and is transforming the business landscape. Most importantly, it is connecting and harnessing the power of the huge network of overseas Chinese from Vancouver via Vietnam to Africa.

It goes without saying that WeChat is a social network. However, it is also a powerful business network combining features of LinkedIn, Skype, PayPal and Facebook. Many small businesses now run completely on WeChat, where they share content, run video conferences and make payments, etc.

When combined with powerful hand held computers (Smart Phones!) and fast internet, it's hard to overestimate WeChat's power and impact. These technologies have put a rocket under China's economy and are making it an innovation powerhouse.

However, this innovation-driven growth is also rapidly closing many windows of opportunity for Australian businesses. In fact, for all foreign businesses, so no country has time to wait.

So why have businesses delayed going to China? Because doing business remains difficult due to years of isolation and a vast difference to 'Western' culture. But things are starting to change...

## 2. Is doing business in China still hard? Still take years to profit?

It is still harder than doing business with the more familiar Europe or USA, but it's getting easier:

1. The more business China does with the outside world, the better it understands how to engage with foreign business. China's only been engaged for a few years so every year is making a big difference.
2. The development of powerful new cloud technologies, such as robust and free video conferencing, now allow easy connection with businesses outside China.
3. Premier Xi made opening up China a priority in the last 5 Year Plan, and again in the Plan just released.
4. They are, finally, actively discouraging IP theft (though much more work is needed).

It's becoming easier, but there is still the need for a new approach. One that is faster and more cost-effective...

## 3. China Entry: The New Approach

Anyone working with China knows building relationships and trust are key. What can be done to accelerate trust-building? It starts with a new approach that combines the power of Social Media with the power of face-to-face meetings.

Government funded research: Over the last six years, the CAEA and Lead Creation have been supported by R&D funding to create this new way of promoting business in China.





The traditional method for foreign businesses entering China relies heavily on Expos. However, research by the CAEA indicates a rapid decline in the ROI of Expos. Why? Because the original reason for Exhibiting - for prospects to discover/learn about you - has become moot in the age of instant access information.

The current model echoes the traditional town marketplace - where sellers prop up a stand in the hopes that people learn about you and buy. Expos are no longer needed to fulfil this original purpose. People can easily learn about you and your business online. Most don't have the time to wander aimlessly around Expos. Therefore, a radical new model is needed. It must deliver valuable prospects to your booth for targeted meetings and conversations.

Approaching Expos using the 'rent a stand' model wastes time and money. Currently, you rent a stand and wait for the right prospects to come to you. Essentially, you rely on the Expo organiser to send the right prospects to you. But that's not their job; they simply rent you a stand. Don't blame the organisers for your low ROI, you need to challenge the model that they use.



This current Expo model is way past its use by date!

So what is critical to a profitable Expo in China?

It starts by harnessing the power of social and business networks. This involves LinkedIn which is still powerful in China and used by those who are internationally focused. It also means leveraging the powerful Chinese social media platforms, particularly, WeChat and Weibo. While Chinese Social Media are powerful tools, they have very different protocols. For example, they require you to have a China-based company and a '.com' or '.cn' website URL to market effectively.

But just having these platforms is not enough. The effective marketing of your business in China requires experienced bilingual marketers. This means two things:

1. You need an expert service provider in China who can help you leverage these vast networks to produce persuasive and culturally appropriate content
2. You need on-the-ground Mandarin speaking assistants at the Expo or event to overcome the language barrier

Lastly, the event architecture is critical. It must assimilate Social Media and 'connecting' into its design and processes (recall Network Theory). This means;

1. It delivers conversations with valuable prospects—before, during & after the event
2. It uses Social Media to create relationships before you land in China, and continue them upon return

So how can you quickly take advantage of the China opportunity?

And for under \$10,000?

With Government support, The CAEA has created a model incorporating all the elements outlined above and it's SME affordable. It seamlessly and powerfully combines the power of Social Media and face-to-face meetings.

TopTip: Don't be fooled by the supposed magic of digital marketing...

...China is huge and you still need meetings.  
Any Expo model must allow for the first rule of China entry:-  
Always start in one region or spend your life on planes!

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