

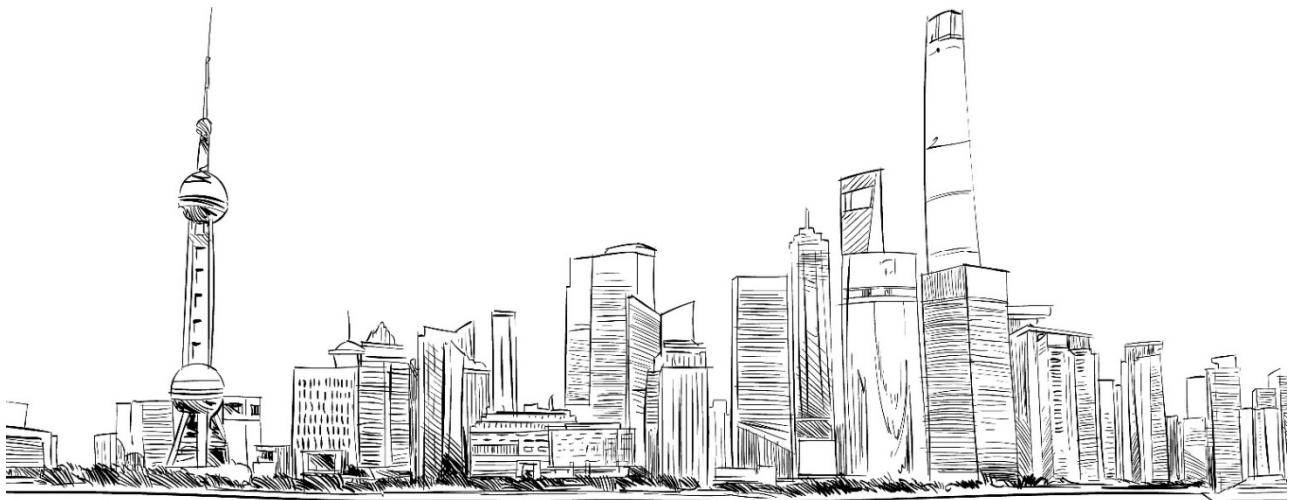


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6 ways to do business in China without setting up an office or entity

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There are typically many ways to do business in other countries. Some are easier than others, and though certain approaches could bring higher reward, they may also come with higher risk and higher cost. And since your international human resources strategy is a key component of your growth, how you expand internationally will have consequences. Before you decide how you'll set up business in a new country, such as China, consider your options.

Often the first thing that comes to mind for founders when expanding into new countries is to set up a business entity, open an office, and either hire people or send some team members to the new international site. It's very "sexy" to open an office abroad, but the costs can be prohibitive. It's certainly an option, but not the only option, and it may not be the best first step for your company.

Depending upon your business, it's worth considering options that are lower-cost and lower commitment before making a big investment of time and money. And before you ask one of your home office employees to relocate to China or you go through the process of hiring locally, you may prefer to first test the waters with a lower dedication of financial, human resource, and time. There are ways to test out China by working with partners who are familiar with the country. They can do a lot of research and testing for you, and help you work out the product localization and go-to-market needs before you decide to set up your company abroad.

TIP:

Even if you really do want to set up an office in another country, it's important to un-couple the visa process for you or your team members looking to expatriate from taking your business to China because the likelihood of having issues with visas and there being a delay in getting your visas set up is high in most countries. Don't let the visa process get in the way of your international expansion. At some point, you will likely send team members into China – either as visitors or to relocate.

And regardless of your business relationship (either as partners or employees), it's often very important to have local people either on your team or paving the way. As a foreigner, you and your corporate team may not be the best people to bring your company into a new market and you may limit your company in building the relationships you need to be successful. Using local partners to help you develop personal ties is often a successful approach to entering China.

The most common methods for engaging in commerce without setting up your own office and business entity in another country fall into the following buckets and are in order of simplest to most complex:



1. Web or Mobile Direct Sales

1. *Ecommerce from your own website or mobile app:* The best ways to enhance your global presence is by international SEO efforts and localization strategies. To market, you'll want to focus on digital customer acquisition strategies such as Google AdWords, content marketing, influencer marketing, social media and online/mobile advertising. In China it is also advised to look at the opportunities on Wechat.
2. *Digital sales via a platform such as Tmall, Taobao, or Amazon or many other commerce platforms:* Each platform will have on-site marketing opportunities to optimize as well as digital marketing tactics such as social media, online advertising, content, and influencer marketing to grow your sales.

2. Sales Representative and Agents

A great way to start developing an international presence in China is to work with an established business with expertise in your industry. A sales representative or sales agency can help open doors for you as an unknown brand. Sales representatives in China can set up research to test your product and get feedback about your product or service before you invest heavily into the market. Their reputation and prior relationships can get you introductions you'd not have access to, and they can help you market appropriately for the customer segment you're trying to reach. Sales reps and agents are a low cost and high reward first step as long as you find the right one to develop a trusting relationship with.

Sales reps and agents in China typically get paid a percentage of what they sell and may ask for a marketing stipend to offset some of the costs of developing your business. You can often find great sales reps by looking at who sells complimentary products in China and talking to companies you'd like to do business with about sales representatives they like working with. Tradeshows are great places to interview new sales reps and agents.

3. PEO Firms

Another option is for you to outsource hiring an employee through a Professional Employment Organization (PEO) firm. A professional employer organization (PEO) is a firm that provides a service under which an employer can outsource employee management tasks, such as employee benefits, payroll and workers' compensation, recruiting, risk/safety management, and training and development. This can work for expats as well as foreign hires. If you hire through a PEO, you don't have to create a business entity in China, saving you a lot of time, money, and tax related issues.



4. Distributor

The relationship with distributors is deeper than a sales representative. Distributors will typically purchase your products, warehouse and ship it, and then market and sell your product in China. They take on more risk, will ask for a larger share of revenue and some sort of risk mitigation for returns and marketing costs. You can negotiate to have control over your brand and market positioning as well as other things important to your company. Great distributors need to be well capitalized, trustworthy, and have a sales and marketing network set up to be a good partner. These relationships will take time to build and it may take time to find the right partner, but they can be incredibly powerful.

TIP:

Initially it would be advisable to not place all your eggs in one basket – spread your wings and use multiple distributors as China is a large territory that not 1 distributor can handle. In addition, make sure you own your trademark in each country you wish to do business in so you have options as you grow.

5. Licensing

When you license your product, your name, program, IP, design or other aspects of your technology, you typically have much less control about how the other company ultimately does business with it. Licensing is a great way to do business in countries or markets you don't have a plan to physically expand into and licensing relationships can be very lucrative in the long run.

6. Franchising

Franchising allows a company to buy into an existing and successful business model, brand name, operations, marketing, and recipes for success developed by that brand and take it into China. The original brand often maintains a lot of control over the business. Franchising internationally typically requires a business to purchase an entire region or country, guarantee a set number of locations, and the financial relationship includes a franchising fee, the cost of setting up locations, marketing, and a percentage of revenue.

Conclusion

Setting up a company and physical office China is only one way to do business abroad. The options featured here can provide a much easier initial setup, be lower cost, lower risk, and very lucrative, especially early on as you test the waters.



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