

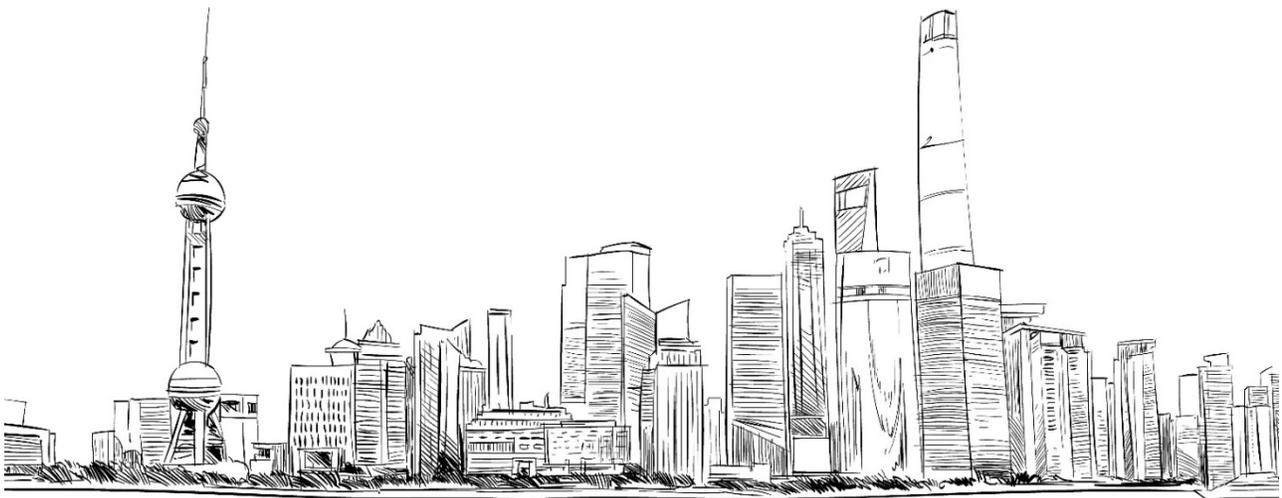


WOODBURN
ACCOUNTANTS & ADVISORS

October 21, 2019

How to create your China business plan – choose the right business activity and right company name

Prepared by:
Woodburn Accountants & Advisors



All information in this article is verified to the best of our ability and is assumed to be correct at time of release; however, Woodburn Accountants & Advisors does not accept responsibility for any losses arising from reliance on the information provided within. The information provided is for general guidance and does not replace specialized advice. © 2018 Woodburn Accountants & Advisors. All Rights Reserved.

Woodburn Management Consulting (Shanghai) Company Limited
47/F Hong Kong New World Tower, 300 Huaihai Zhong Road, Shanghai 200021, China
T: +86 21 5116 2893
E: info@woodburnglobal.com
W: woodburnglobal.com



A business plan is an important tool for managing and growing your business. A well-designed plan lays out a vision of growth and the steps needed to get there. A plan is also an essential communications tool for attracting financing for your business as well as managers and staff as your business grows.

Why is it important to create a business plan for your China business?

Clarify Direction

The primary purpose of a business plan is to define what the business is or what it intends to be over time. Clarifying the purpose and direction of your business allows you to understand what needs to be done for forward movement. Clarifying can consist of a simple description of your business and its products or services, or it can specify the exact product lines and services you'll offer, as well as a detailed description of your ideal customer.

Future Vision

Businesses evolve and adapt over time, and factoring future growth and direction into the business plan can be an effective way to plan for changes in the market, growing or slowing trends, and new innovations or directions to take as the company grows. Although clarifying direction in the business plan lets you know where you're starting, future vision allows you to have goals to reach for.

Attracting and Securing Financing

The development of a comprehensive business plan shows whether or not a business has the potential to make a profit. By putting statistics, facts, figures and detailed plans in writing, a new business has a better chance of attracting investors to provide the capital needed for getting started. As you start your business, and even as your business moves along, you will constantly need to concern yourself with financing your business. Financing concerns begin with the start-up costs and then continue with business expansion and new product development. When you look for outside financing, one of the first things the investor will want to see is your business plan. Private investors, banks or any other lending institution will want to see how you plan on running your business, what your expense and revenue projections are and whether or not your plans for the future are attainable with the business you have created. All of this can be answered by a well-written and thorough business plan.

Attract Team Members, Executives and 3rd Party Providers

Business plans can be designed as a sale tool to attract partners, secure supplier accounts and attract executive level employees into the new venture. Business plans can be shared with the executive candidates or desired partners to help convince them of the potential for the business and persuade them to join the team. As your business grows, you will need to consider adding executives to your team that can help move your company in the right direction. A business plan will help executive talent see your business vision and determine whether or



not your company is a worthwhile investment of time and resources.

Manage Company

A business plan conveys the organizational structure of your business, including titles of directors or officers and their individual duties. It also acts as a management tool that can be referred to regularly to ensure the business is on course with meeting goals, sales targets or operational milestones.

Maintaining Focus

A business plan contains all of your product information, manpower and financial estimates and your plans for the future. As you look to grow your business, you should refer to your business plan, according to the Small Business Administration. When you decide to make changes to your business, those changes should be reflected in your business plan. When you make updates to your business plan, you get to see how your proposed changes will affect your entire business. Your business plan reminds you of why you started your business in the first place, what your original goals were and how business changes will affect your original vision.

Fueling Ambitions

Starting your own business can seem like a daunting task if you have never done it before. When you break down your business into a business plan, it can motivate you because it presents the business in an organized fashion. When you spend the time to outline your business in detail, you begin to understand what it will take to get your dream off the ground. Following a business plan can help you to map out the growth of your company and give you confidence when you need it.

Keys chapters to include within your business plan

- ✓ Executive summary - a snapshot of your business.
- ✓ Company description - describes what you do.
- ✓ Market analysis - research on your industry, market, and competitors.
- ✓ Organization and management - your business and management structure.
- ✓ Service or product - the products or services you're offering.
- ✓ Marketing and sales - how you'll market your business and your sales strategy.
- ✓ Funding request - how much money you'll need for next 3 to 5 years.



- ✓ Financial projections - supply information like balance sheets.
- ✓ Appendix- an optional section that includes résumés and permits.

Choose the right business activity and right company name for your business plan

Business Activity

Choosing your business activities is just one of several key decisions you'll need to make when setting up a business in China. You'll also be required to decide on a business name – which again comes with its own quirks and intricacies unique to China. With these initial decisions made, it's time to make your application. Every one of these early decisions can have a huge bearing on the type of business you are permitted to carry out and where you can trade. That's why it is highly advisable to work with an expert in company formation who can guide you through every step of the process from choosing a business activity and company name, to registering with the relevant authorities, opening corporate bank accounts and processing visa applications. A slight error at any one of these stages can lead to delays and possibly even the rejection of your license application, so it pays to get it right first time.

Business Scope Tips

- Research your competitors thoroughly by investigating what their business scopes are in China. Even if you are already located in China, this might be a way to update and expand on your business scope.
- Take a paper and write all activities and products/services you wish to perform NOW, in 5 years and in 10 years.
- Make your scope as broad as possible.
- Be prepared that the Ministry of Commerce will amend, adapt, downsize your original scope. This can be taken positively – either additional licensing is required, website up and running, retail lease agreement submitted, for example.

Chinese Company Name

Your company name reflects everything you stand for when you go to market, and if you think about it, it's the very first thing potential customers get to know about you. In China, the company name registration process requires that names adhere to certain naming stipulations. This is not to say it is a complicated process, but it can take time to find a name that is available and suitable to your business needs.



Chinese Company Name Tips

- How important is the Chinese name to you? Are you looking to brand your Chinese name?
- Trademark versus Chinese Company Name
- Based on the importance and image of the name, obtain professional help to choose the appropriate name

Key Tips about creating your Business Plan

Don't rush yourself

Your business plan isn't something you can haphazardly throw together in a few hours. Do your research.

Be conservative

Enthusiasm is great but not when results disappoint. When in doubt, it is a good idea to be more conservative and leave some "slack" and "wiggle room" in your plan and objectives.

Monitor, Evaluate and Reforecast

Once you complete the business plan, the biggest mistake you could make is to file it away only to pull it out again at the end of the following year or NEVER. A business plan should be monitored on a monthly basis, or sometimes even on a weekly basis for smaller companies. Business plans should be edited if circumstances change. Furthermore, business plans should always be compared to actual results to understand why there are differences. This will help monitor circumstances throughout the year and help management to make key decisions in relation to the business.

For more information:

Contact us: info@woodburnglobal.com

Find us on: woodburnglobal.com

Subscribe **FREE** to our latest legal, tax and trade news on China and Hong Kong delivered directly to your inbox from our website at woodburnglobal.com