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Prepare for Challenges In New Chinese Market

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Obscured in trade-balance headlines is China's growing significance as a destination market for U.S.-made goods. For small exporters, the trick is how to join the existing trickle of shipments to China, and turn it into a steady stream. It's a do-able goal, but there are numerous challenges to selling products in China. Stacy Sun, executive director of the Asia Pacific Chamber of Commerce, has some pointers.

"First, you need to do a lot of market research to make sure your product is needed in China. You also need to check your product category to make sure it's allowed there. With products such as cosmetics, food and some machinery there are concerns about human safety and a lot of procedures to follow.

"In America, you can get a lot of information on the Internet for free. In China, you have to buy the information from the government agency that covers your industry.

"Once you feel your product is do-able in China, you need to protect it, especially if it's easily copied. If it's technology, you'll want to get a Chinese patent. You may also need to register a trademark. It's essential to find an international law firm that specializes in intellectual property and can operate in China.

"Next, you will have to find a Chinese distributor or agent. They may expect you to sign an exclusive contract for at least several Chinese states. You should find out whether the distributor is reliable and if it is owned privately, owned by the state or some combination. Each type of ownership will require a different approach. The distributor also needs a license to import your product.

"Once you find a distributor, you need to negotiate your deal. The distributor will expect that you release your goods first and pay you after they sell the product.

"Americans need to be tough to get commitments from distributors to meet definite sales goals. You should negotiate a short-term contract at first to build up trust, and then renegotiate later.

"Americans also must make sure they control the sales price the distributor charges. Chinese distributors are looking for a high margin in the short term, and if they charge too much for your product, they may kill demand for the product over the long run."

– Eric Berkowitz

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Case Study is a new feature in which experts offer practical advice on the various challenges that small business owners encounter every day. If you face an issue or challenge you think applies to others as well, please contact the Business Journal at casestudy@labusinessjournal.com.