

IT'S
PASSION
DARLING



(easily?) MADE FOR CHINA!

how to sell your goods on the Chinese
market through global collaborations

Heidi Larsen

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By Heidi Larsen

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Translated by: Ane Sjølin
Graphic Design: Cathrine Herskind, www.byherskind.dk
Layout Editing: Maarten og Julie Polar J. de Greeve
Text Editing: Merete Van den Berg, www.meretevandenberg.dk
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If you have any comments about this book or to the author,
please contact Heidi Larsen at www.Plus7.dk

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Dr. John Gattorna
Supply Chain guru and author of the book
“Dynamic Supply Chain”:

“Heidi is a very energetic thinker, who vividly shares her often creative ideas and perspectives around dynamic supply chains. She has an extensive practical experience from visiting factories around the world and a deep understanding of the cultural reality at the factory floor level. Those two aspects combine to make Heidi a most interesting and inspiring speaker on global supply chain topics.”

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Dear reader

I cannot tell you how much I have looked forward to this long-awaited second book. I am incredibly proud, humble and grateful for all your feedback, requests and encouragement to write it. For a while, I considered whether ‘(easily?) MADE IN CHINA!’ ought to be an only child.

It was a major undertaking to write it, and I have since been in the self-made, fortunate situation that I have been busy. Really busy. Especially with helping small businesses get started on productions in China. Establishing sustainable supply chains that can meet even the smallest orders for Danish design companies. And I love it!

Since my last book, I have been helping tiny one-man companies get 250 units produced twice yearly (yes, it can actually be done!) I have helped some very large companies get their factory employees to work less and improve their working conditions.



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We are in the next Chinese age where China is no longer just the world's factory, but also an enormous consumer market with almost 1.4 billion consumers, of which 300 million are defined as the 'purchase-powerful middle class'.

That's almost 30% of the world's collective purchasing power!


And I have also helped companies with vast production experience in China get their suppliers to really understand the importance of quality. European quality. Because that is also possible.

While I have been establishing the supplier collaborations for my clients, the world has evolved – and especially China has changed. The financial upsurge these last years have brought with it a new, wealthy middle class that loves everything from the West. Coca Cola was the front runner, and, as I am writing this, Bestseller has over six thousand shops in the country. A number I do not expect will be hopelessly outdated when you read this. Louis Vuitton, the world's most copied brand, is today sold from franchise stores situated at the best locations of major Chinese cities. The funny thing about that is the skyrocketing retail prices.

The brands we know from home as middle class brands have had to plaster giant logos onto their products and severely raise the prices. If the goods are not hugely expensive, or the brand name or logo not visible, they have no commercial value. Because the Chinese cannot show them off to their acquaintances, which is very important to the Chinese considering the 'show culture'.

We are in the next Chinese age where China is no longer just the world's factory, but also an enormous consumer market with almost 1.4 billion consumers, of which 300 million are defined as the 'purchase-powerful middle class'. That's almost 30% of the world's collective purchasing power!

This provides breathtaking possibilities. And I want to help you benefit from those with this book. I want to help you develop the sustainable, global collaborations necessary to reap the fruits of your labour. And create a platform to give you the success you hope to achieve in China. Without becoming the next media headline after a failed strategy. But you need to know that it will




Ulla Hentze
Director
WomenPowerFactory

be hard work. Collaboration is about people, and it is a fact that when it comes to people, the relations are in direct proportion to the work you put into them. But once you have built strong, solid bonds, you have come a long way. A very long way. And your success is within reach.

This book is for you who have never set foot in China, but dream about Chinese market shares. For you who have taken the first steps, but lack the inspiration to take the next. And it is also for you who might already have long-term experience with Chinese collaborations, but want to avoid the pitfalls you read about in the media. It is for you who want to sell your products on the Chinese market, but are having trouble getting started – or moving forward. And it is also for you who have already sold your first products in China, and dream about expanding your market shares.

It is for ambitious Morten from Fairytale Company, whom you will meet later in the book. He has a foodstuff product that is produced in Europe, and which he wants to export to China and sell to both European and Chinese people in China. And finally, it is for brave Ulla from WomanPowerFactory, who, at the end of the book, will tell you about her plans for selling the shoes she is already producing at her factory in China to Chinese consumers.



Morten Klæstrup
Director
Fairytale Company

I have heard that one year in Europe is the same as four years in China. This is not completely wrong, I think. At any rate, China has not slowed down its pace when it comes to development, and the rules of play are constantly changing. Let me make something clear from the onset: It is NOT too late to produce in China, and China as a production country has not lost its relevance. Not at all. It is merely no longer the only option. New synergies have emerged. New supply chains – and new ways of working with them. One of the important ones is marketing in China. But in order to be successful in China, you need to have the will. Wholehearted interest. Not to mention a strategy. And by ‘strategy’, I do not mean just wanting a piece of the pie that is the growing Chinese middle class. Not just a desire to keep up with – or follow – your competitors. That is not a strategy. By strategy, I mean a thoroughly analysed and comprehensive plan for what you want to sell, how you want to sell it – and especially the all-important: how will you sell it?

Do you want to sell dinner sets in China? Then the battle is not won by adding a rice bowl. Does the product only come in white? The colour white symbolises death in China. Maybe the colour red that signifies happiness would be better? There is so much symbolism, and so much culture to be understood before you ‘just’ load up a pallet and ship off your products. And no, they do not simply sell themselves either.

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Imagine if your new Chinese clients were screaming for your products, and you were unable to deliver? Then you could really talk about choking on your own success and shutting down before you have even started.

They need a Chinese name. They have to be packaged and presented correctly, and on the whole fit into the culture that you have chosen – of your own free will – to act within. And now we are at it: It does not work to ‘just’ translate your webshop into Chinese and then raise the prices. Or attend one single sales convention and simply hope for the best. Continuous success on the Chinese market requires leaving your desk and starting out somewhere completely different than where you are selling your product. You have to go where you can see and feel the culture you want a market share in. You had also better pull out your calendar. Do you have both the time and money to support your strategy, whatever it may be?

China is Yin and Yang – but also all or nothing. If you do not show that you are serious from the get-go, you will not be taken seriously by your future collaborators, and your adventure will be over before it has even begun. ‘Learning by doing’ or ‘trial and error’ do not work. Especially not the latter, because you will only get to make one mistake. Then you are back in Europe.

Selling on the Chinese market also requires brand new ways of thinking about supply chain. This is why you have to think all the way around your strategy and focus on your business – the very core of your product or service – to make sure the machine that supports your sale actually works and is geared for the success you aspire to. One and the same supply chain cannot, for instance, meet the wishes and needs of different client segments. How could it possibly? How could one supply chain possibly support an

express client to the same satisfaction as a stabile core client, who buys the same amount every single month? So: It is imperative that you understand the importance of working strategically with your supply chain. Your supply chain is your golden goose – not your golden egg, and it needs absolute top priority.

It is through your products that the clients see your brand, and if there is nothing to see, there is nothing to talk about. And if it is not the right quality, what your clients talk about is not beneficial to your success. At all. You have to be absolutely sure that you can deliver. Not overdeliver. Not underdeliver. But deliver. So your success can be rooted. Grow. And you can reap the fruits of your labour – not just now, but for many years to come.

Imagine if your new Chinese clients were screaming for your products, and you were unable to deliver? Then you could really talk about choking on your own success and shutting down before you have even started.

I have seen many people fail, but I have also seen a few be successful. And it certainly has not been luck. It has been because they did something different, and this is what I have collected in headlines, systems and good advice through my research for the book. It is my hope that you will listen to it and be a great success in China. Imagine if particularly the small businesses could have the success they dream of and that more could turn into healthy, global companies – sprung from this little fairy tale country in the North. That would be amazing!

And I promise it will be worth the effort. In tenfold. No, in thousandfold. For there IS success to be gained. There ARE undiscovered possibilities. If you want them. And if you want to work on your strategy so that you have considered – and avoided – the pitfalls so many others walk into in advance.



Actually being successful in China is like everything else in life: You get exactly as much out of it as you invest. And with this book in hand, you have already taken an important step. A decision. I look forward to reading about the result of your efforts. Like a success story in the media. That is what I will do my best to help you with right now.

Enjoy reading, and good luck with your new opportunities in China.

See you out there!

Zai Jian!


Heidi



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Prefix; from Made IN China to Made FOR China

China has undergone – and is still undergoing – a tremendous development. It takes an effort to keep up, stay updated, and constantly adapt to the new rules of play. Because they are constantly changing. But that is also what makes business with China so exciting. The variation. That something is always happening you do not know about, and unanticipated challenges are met. The real danger arises when you do not know, what you do not know. One more time: When you do not know, what you do not know. Conscious ignorance is not dangerous. That, in my view, is just a challenge, but sheer ignorance is dangerous.

I tend to say that if it was easy, everyone would do it. And the view is just so much better when you are driving in the front on the lane. But it takes tenacity and work ethic that only few are willing to invest in the project. Maybe you even have to take an extra look at your business concept? And for this very reason, we still see front pages with headlines describing European businesses' failed strategies on the Chinese market.

Why? Because many companies still think it is easy and straightforward dealing with China. And there is one single loud-and-clear common denominator for all the failed strategies: Lack. Of. Sufficient. Preparatory work! I still meet businesspeople who hide behind their European desks and do not actually like to be in China. Wherefore they try to spend the least possible time in “the field”. They would much rather send someone else from the office. Someone urging to travel and who might be drawn to the word ‘business trip’.

But the fact remains that only by being in the field yourself can you know how the harvest will turn out. How the soil has accepted your seeds. And how much water your crops need. I do not think it is a conscious strategy to opt out of the trips to the field. I simply think that many only ended up with that particular field, because their competitors did.



The funny thing is that the Chinese believe ‘Success Generates Success’. So for instance, if the neighbour has a lamp store that is doing well, you can open a lamp store just like it next door and, without any major effort, achieve the same success.

And when you are standing there looking at the competitor’s lamp store, turn around 180 degrees. For if you want to get something out of your store, something also has to come in. And is your supply chain geared for that? Do you have the resources needed to satisfy the needs of your new client segments that do not necessarily have the same purchasing pattern or purchasing behaviour as your other clients? And how will your current clients feel about being ‘forgotten’ in the process, and about you striving for (more) success?

The vast majority of businesses I work with stubbornly cling to the idea that one and the same supply chain has to be able to support different client segments. They cannot! I also frequently watch how a business, excited about having closed a new major order, completely forgets both competencies, long-term perspectives and its core clientele. For if a new major order comes in, how will its purchasing department be able to deliver more, in a shorter time, without this being at the expense of the clients who already

long since placed their orders? An impossible task which causes fires in the supply chain – which again create stumbling blocks, and in worst case weaken the relations in the supply chain that you worked so hard to establish. And then we have the problem. Everything is rushed, everything is pushed together, and only quality devaluation or added financial expense can put out all the fires. The new bustle prevents the company from long-term thinking and strategic work, which again creates a negative spiral of broken promises, rush and quality issues.



Most companies have different strategies for markets that are geographically close to them, but strangely enough only one strategy for China. It is definitely my experience that the companies thinking more long-term and strategically are also the ones who achieve the greatest success. I cannot sufficiently stress the importance of thorough analysis and preparatory work. I only ended up with that particular field, because their competitors did.

Maybe we are not really as different as we think – the Chinese and us. For how else can we believe that if we just hurry and do exactly as the competitors do, we achieve success on the Chinese market? I will share something with you already. A secret. That is not how it works.

There ARE no shortcuts. No easy fixes. No simple plug-and-play solutions. If you want continuous success on the Chinese market, you HAVE to work on your strategy first. Do the boring analyses, examine the market, research. And act on your new knowledge.



Be brave enough to differentiate your supply chain, so there is actually a possibility of delivering. Have the guts to think from a broader perspective that requires generalists rather than specialists. Not that we no longer need specialists – we do – but we need more people who consider every part of the supply chain in their strategy. You have to be brave enough to work with all parts of your business and concept. Adjust your product – and then do the same preparatory work again.

Only when you know with certainty exactly which product, in what packaging, and with which marketing – and generally WHERE you want to sell your product, can you start on your plan. What will it require from your business? If you want to tune your engine, where should the fuel come from? Then you will succeed. If you put enough resources into the product, that is. You will not just be an inch, but miles ahead of your competitors. And you will ensure yourself a piece of the enormous pie, we also read about in the media. The growing middle class. The new consumers. And only then can you reap the fruits of your labours. Now let us hop to it!

Check list: Considerations regarding the introduction of your product on the Chinese market!

- Why do you want to go to China?
- ... with what product or brand?
- ... to what exact segment of clients?
- ... and supply based on which type of supply chain?
- Where do you want to sell your product?
- How (and where) do you want to market yourself?
- Which Chinese setup does your strategy demand?
- Do you have enough time and money?
- Who can help you achieve your goals on a concrete level?
- What is your measurable definition of success in China?

The marketing guru Simon Sinek says ‘start with why’. And that is actually how the Chinese build up all their communication. Why should I do that? Let us say you have taken the time to draw up your strategy. Collected data, considered it, reconsidered it, and drawn it up again. Good, then we are ready to find out exactly what you are selling.

First of all, it is important to understand that the Chinese people love Chinese things. They are patriots with a great feeling of national identity and generally they love China. So presenting your product as better than a corresponding Chinese product is a pitfall

we want to avoid. Not ‘better than’. But certainly ‘an alternative’. And in order to start offering alternatives, we first need to know the status quo. Did you book your plane ticket? Otherwise, now would be a very good time. What you first need to consider is:



- Do you want to sell a European product on the Chinese market?
- or
- Do you want to sell a European designed Chinese product on the Chinese market?

In order to illustrate my point, I want to share a story with you. A story about the time I accidentally took for granted that behavioural patterns, and the way we handle products, are exactly the same in China as in Europe. Let me reveal to you that they are not. In any way. At all.

So. I was in the process of developing an ordinary kitchen bowl. It looked like a kitchen bowl, had the same function as a kitchen bowl, and it had to do whatever a kitchen bowl does. I develop and develop, and, in my own view, I am considering all kinds of unpredictable challenges: Food approvals, mixed packaging so we could save on shipping, and other similar considerations. The product goes all the way through the process, and after a good while reaches the point where we need to start the actual production. As a very last note, I ask the factory to put a little sticker on the box saying: “Dishwashersafe”. For obviously it was? After all, I had secured all the chemical descriptions and approvals, and also ensured that the product could collectively get a food approval in the EU?

At first there was silence. Total silence. Then the storm broke. DISHWASHERSAFE?? How could I possibly imagine that this phenomenal product could go in a dishwasher, when everyone knows a dishwasher turns approximately 250 degrees celcius?! Well, yes, actually I had. And the 250 degrees sounded somewhat exaggerated. But it is actually an amazing cultural example showing that what I regard as completely ordinary handling of kitchen supplies – and in this case kitchen bowls – is not at all the same on the other side of the globe. They do not have the same habits as Europeans. They do not just throw everything into a dishwasher and press ‘start’. The Chinese are used to rinsing everything with water by hand, and it is still only in the larger restaurants that you will find a dishwasher. In other words: I must not take for granted that the Chinese treat their products the same way we do in Europe. It is NOT certain that they can figure out the function or the intended use. We need to make sure the Chinese people know what the product is used for, and that it can enter into a Chinese context.

And just to round up the story: In the end, in order to narrow the cultural gap and pragmatically test the products, I purchased a dishwasher for the factory, so the employees could handle their kitchen supplies the same way we do at the office in Europe. In China they thought it was clever to actually throw everything in there to be washed – completely without danger of melting.

My point with the story? When you collaborate with Chinese people, you have to describe the purpose first! Always. You have to describe why it is important to figure out x and y. Why it has to be able to do this and that. And then remember to repeat it to the point where your face has turned blue and you are slightly embarrassed at repeating yourself. And then repeat it again!

Another point is how. You have to be on point about how you want to sell it. What purpose does your product serve and to whom? And can you describe to me in short terms, how you mean to achieve it? Because let me share another secret with you. The Chinese may love products. But they love the storytelling and the story more. So how can you create and tell your story? The Europeans typically think linearly: Is there a market for your product? The Chinese think holistically: Let us create a market for our product!

I will get back to that later. First, let us take a look at the background of our new Chinese client segment.

