



HOW TO DEVELOP A SUCCESSFUL JOINT-VENTURE IN CHINA

JV

FDI

**CHINA: NO LONGER
AN EMERGING MARKET**

**CHINA IS TODAY THE WORLD'S LARGEST OR SECOND-LARGEST CONSUMER
OF A VARIETY OF PRODUCTS:**

GLOBAL RANKING #1

AUTOMOBILES

22%

MOBILE PHONES

22%

LUXURY GOODS

19%

SHOES

12%

BIKES & MOTORCYCLES

7%

GLOBAL RANKING #2

INTERNET USE

63%

CONSUMER ELECTRONICS

15%

JEWELRY

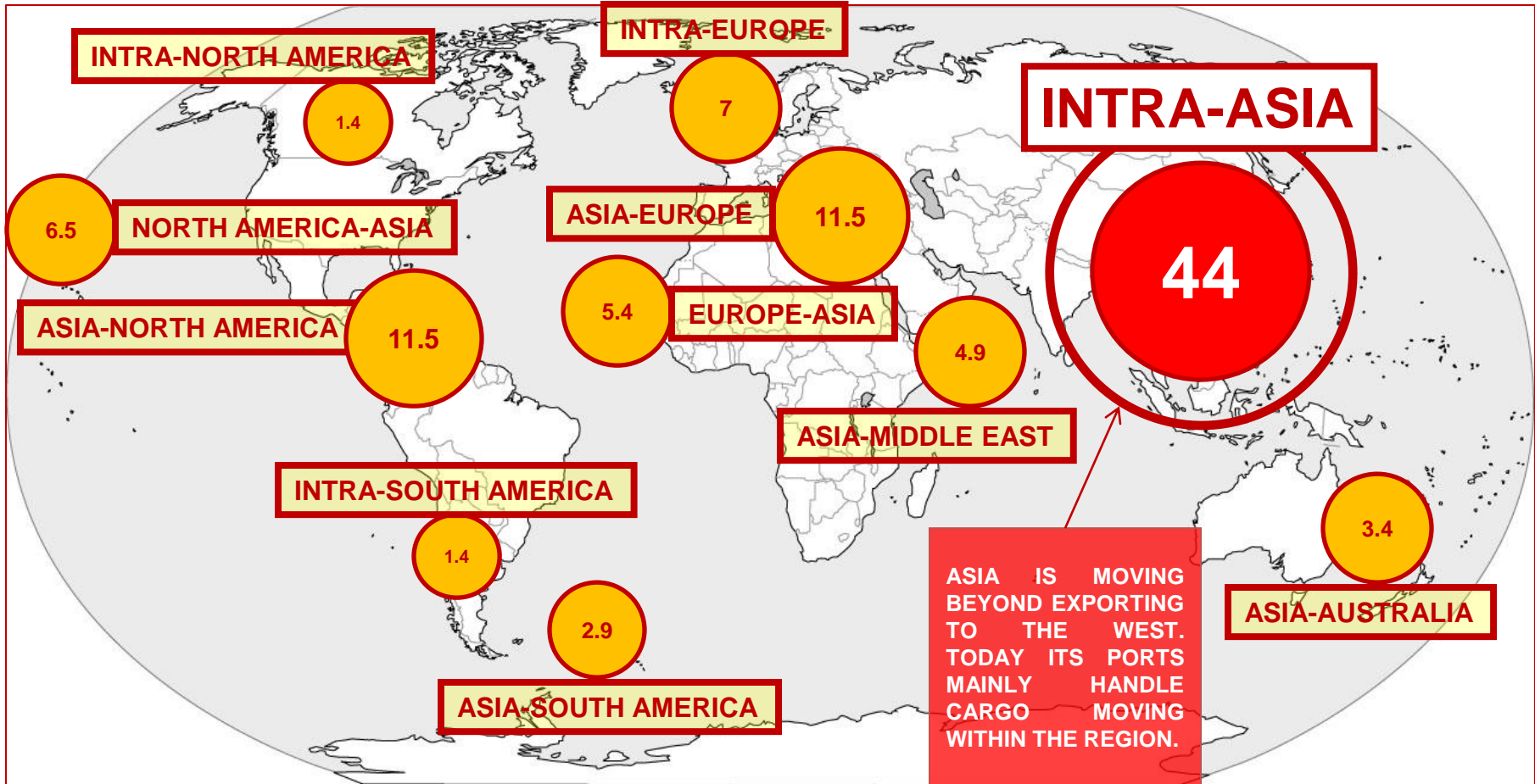
13%

HOME APPLIANCES

12%

CHINA:

AN EXPORT-FOCUSED ECONOMY
A CONSUMER-DRIVEN MARKET



8

Numbers represent millions of 20-foot (6 m.) shipping containers

Source: Harvard Business School, HBR, June 2011 "What the West Doesn't Get About China"

WHAT IS A JOINT-VENTURE

SIMPLY PUT, A JOINT VENTURE (JV) IS NOTHING MORE THAN AN ECONOMIC COOPERATION, OR BUSINESS COMBINATION, OF TWO OR MORE PEOPLE, COMPANIES OR ASSOCIATIONS WITH A COMMON ECONOMIC GOAL

A SHARING OF RISKS AND PROFITS IN A SPECIFIC PROPORTION, COUPLED WITH A CONTRIBUTION OF EXPERTISE AND ASSETS TO THE JV, WHETHER THOSE ASSETS BE HUMAN CAPITAL OR MONETARY CAPITAL UNDER CERTAIN DEFINED CIRCUMSTANCES

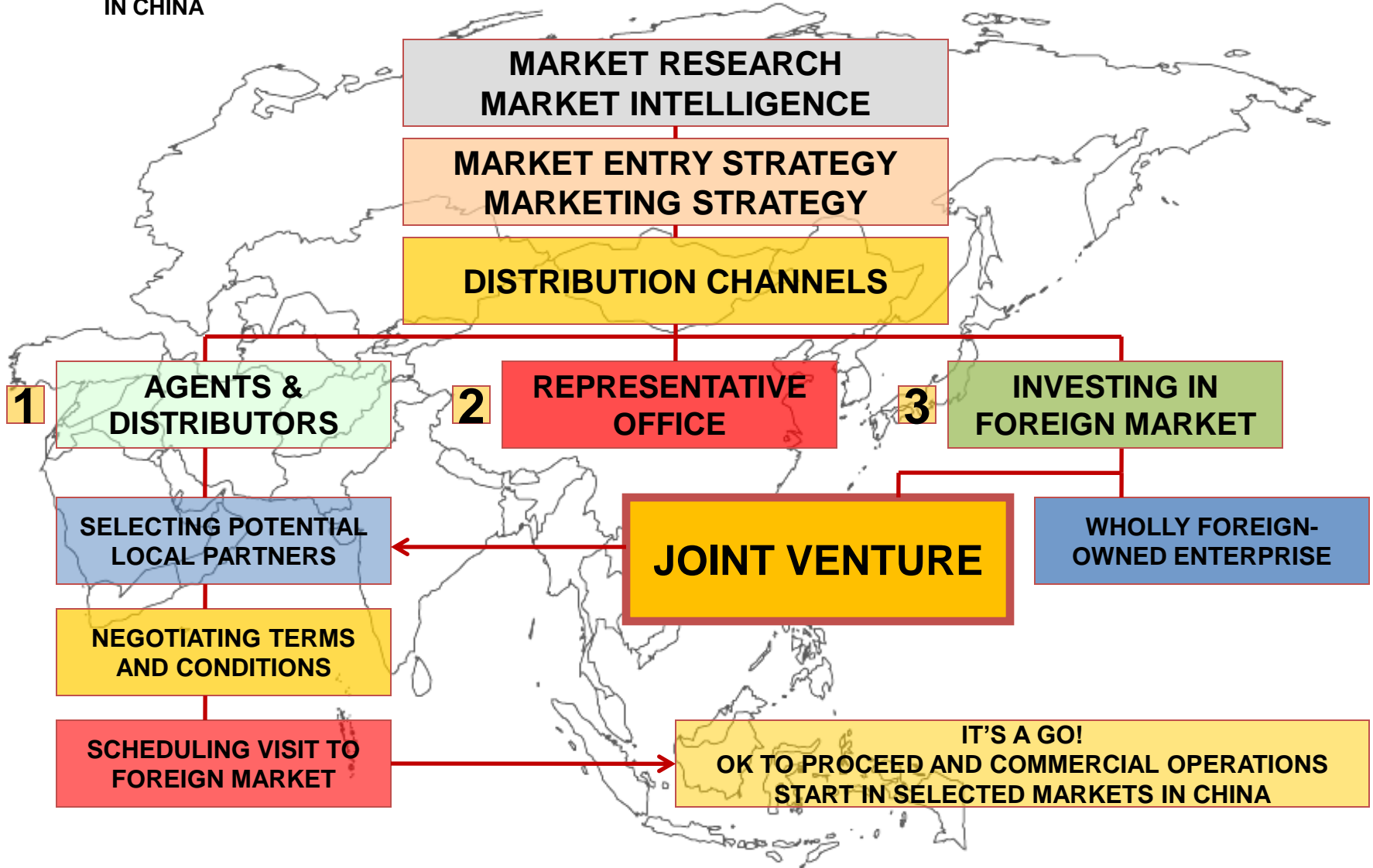
THE JV MAY BE LIMITED IN TIME, OR MAY HAVE NO TIME LIMITATION, ALTHOUGH MOST JV ARE LIMITED IN SCOPE, LIMITED TO THE EXPERTISE OF THE JV PARTNERS

IT IS QUITE COMMON FOR A JV TO HAVE SOME FORM OF TIME LIMITATION SUCH AS A PRELIMINARY PHASE, WITH PRESCRIBED TIME LIMIT WITHIN WHICH THE JV MUST ACCOMPLISH MINIMUM GOALS UNDER CERTAIN DEFINED CIRCUMSTANCES

IF THOSE TARGETS ARE MET, THEN THE JV AUTOMATICALLY PROCEEDS TO ANOTHER PHASE OR A PERMANENT PHASE, SUBJECT TO EARLY TERMINATION UNDER CERTAIN DEFINED CIRCUMSTANCES

Joint-Venture in China

**JOINT-VENTURE:
A STRATEGIC MODE OF ENTRY
FOR DEVELOPING NEW BUSINESS
IN CHINA**



1

HIRE A GOOD CONSULTANT, AND GOOD LOCAL MANAGERS!

- ☑ **START BY HIRING A GOOD INTERNATIONAL BUSINESS CONSULTANT TO DESIGN AND DEVELOP A FOREIGN MARKET ENTRY PLAN STARTING WITH MARKET RESEARCH, MARKET ANALYSIS, MARKET INTELLIGENCE. HE WILL BE YOUR RELIABLE CONTACT REPRESENTING YOUR INTERESTS IN THE JV IN CHINA AND MONITORING YOUR LOCAL PARTNER WILL COMPLY WITH THE JV AGREEMENT.**
- ☑ **THEN HIRE AND TRAIN GOOD LOCAL MANAGERS, INSTILLING A SENSE OF LONG-TERM INVOLVEMENT. YOU NEED THEM TO BE LOYAL!**

THIS IS A “MUST” CONDITION FOR SUCCESS!

2

PLAN TO INVEST IN THE LONG TERM!

- ☑ **DO NOT EXPECT QUICK PICKS.**
- ☑ **SUCCESS DOES NOT HAPPEN OVERNIGHT, AND YOU WILL NEED TO INTEGRATE YOUR CULTURE INTO THE LOCAL CULTURE AND BUSINESS ENVIRONMENT**

3

CREATE AN EFFECTIVE MARKETING PLAN!

- ✓ **ACKNOWLEDGE, ACCEPT, RECOGNIZE THAT CHINA IS A DIVERSE COUNTRY, AND NOT A SINGLE NATIONAL MARKET**
- ✓ **ADAPT TO THE UNIQUE “LOCAL” VALUES AND CULTURAL DIFFERENCES BY DEVELOPING DISTRIBUTION, AND DESIGNING MARKETING STRATEGY AND ADVERTISING MESSAGES ACCORDING TO THE NEEDS OF LOCAL MARKETS**
- ✓ **ADJUST THE MIX AND ATTRIBUTES OF YOUR PRODUCTS TO THE NEEDS OF THE LOCAL MARKETS, AND TAKE INTO ACCOUNT ALL DIFFERENCES WHEN DESIGNING YOUR MARKETING STRATEGY**

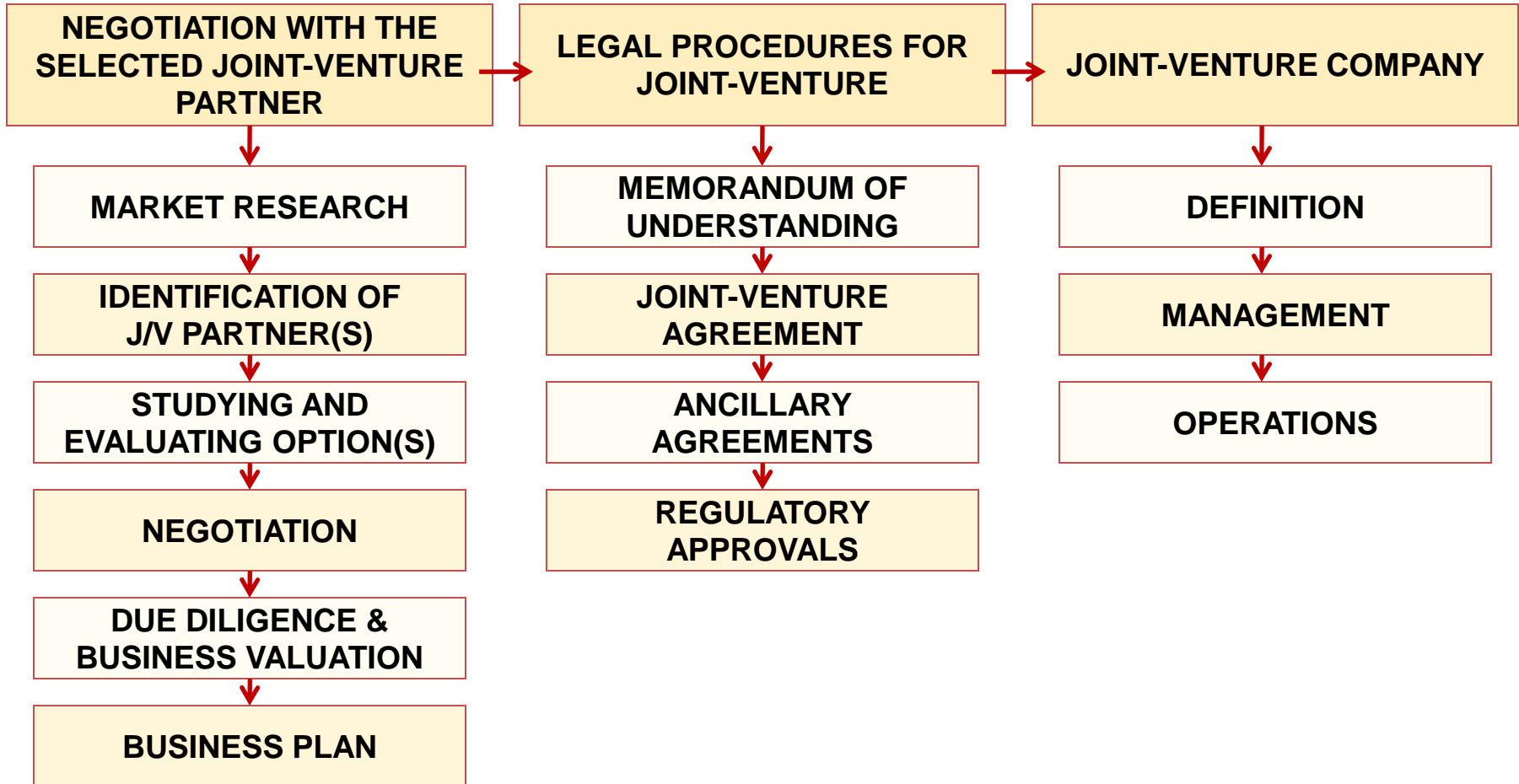
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FOCUS ON YOUR CORE COMPETENCES!

“SIMPLY” ASK YOURSELF THE FOLLOWING QUESTIONS:

- ✓ **WHAT DO WE OFFER CUSTOMERS THAT WILL ATTRACT THEM?**
- ✓ **HOW ARE WE DIFFERENT FROM POTENTIAL COMPETITORS?**
- ✓ **WHAT CAN WE DO WELL IN CHINA, AND WHAT CAN CHINESE COMPANIES DO BETTER?**

STEPS FOR DEVELOPING A JOINT-VENTURE



THE COMPETITIVE ADVANTAGE OF THE JOINT-VENTURE

| COMPETITIVE ADVANTAGE | | | |
|------------------------------|------------------------|--------------------------------|--|
| TANGIBLE | INTANGIBLE | | |
| INTELLECTUAL PROPERTY RIGHTS | STRONG BRAND | | THIS SET OF DISTINCTIVE CAPABILITIES CANNOT BE IMITATED BY COMPETITORS |
| EXCLUSIVE LICENSE(S) | LEADERSHIP | | |
| | KNOWLEDGE & SKILLS | | |
| | TEAMWORK | INTERNATIONAL COMPANY | |
| | ORGANIZATIONAL CULTURE | | |
| | TEAMWORK | LOCAL PARTNER COMPANY IN CHINA | |
| | ORGANIZATIONAL CULTURE | | |

BALANCED SCORECARD

| | | | | |
|----------------------------------|--|----------------------------------|---------------------------------------|--|
| OPERATIONAL EFFECTIVENESS | REVENUE MAXIMIZATION | LOYALTY | OPERATIONS | LEARNING AND GROWTH |
| EARNINGS | GROWTH | LOYALTY | VALUE CREATION | HUMAN CAPITAL |
| EXCEED EARNINGS EXPECTATIONS | CAPTURE MARKET SHARE VIA LOCAL DISTRIBUTION, RETAIL, INTERNATIONAL, AND INTERNET SALES | DEVELOP AND KEEP LOYAL CUSTOMERS | INTERNAL BUSINESS PROCESS VALUE CHAIN | ATTRACT AND RETAIN TOP TALENTS AS CONSULTANTS, MANAGERS, LOCAL & INTERNATIONAL AGENTS AND DISTRIBUTORS |
| PRODUCTIVITY | INCREASE PROFITABILITY | IMAGE CONSISTENCY | INNOVATION R&D OPERATIONS SERVICE | DEVELOP STRATEGIC SKILLS: TRAINING |
| IMPROVE COST STRUCTURE | REVENUE MANAGEMENT | DELIVER PRODUCT BRAND PROMISES | CHINA DOMESTIC SALES | FOSTER A DIVERSE WORKFORCE |
| | | | INTERNATIONAL SALES | |
| | | | INTERNET SALES | |

平衡计分卡: 统一公司职能

| | | | | |
|--------|--------------------------|-----------|----------------------|--------------------------------|
| 运营效力 | 收益最大化 | 忠诚度 | 运作 | 学习和成长 |
| 利润 | 发展 | 忠诚度 | 价值创造 | 人力资本 |
| 超越盈利预期 | 通过区域批发, 零售和国际、网络销售取得市场份额 | 寻找和保持忠诚客户 | 内部商业进程价值链 | 吸引和保留高级人才担任经理, 国内国际代理人 and 经销商 |
| 生产率 | 增加利润率 | 形象一致性 | 创新 研发 运作 服务 | 培养关键技术: 培训 |
| 优化成本结构 | 收益管理 | 传递品牌承诺 | 中国国内销售 | 培养有多面能力的员工队伍 |
| | | | 国际销售 | |
| | | | 网络销售 | |

FOR INFO ON:

- **MARKET ENTRY STRATEGY & JOINT-VENTURE PLANS IN CHINA**
- **MARKET ENTRY STRATEGY & JOINT-VENTURE PLANS IN ASIA**
- **BUSINESS DEVELOPMENT PLANS IN ASIA**
- **FDI (FOREIGN DIRECT INVESTMENT) OPPORTUNITIES IN ASIA**
- **SINGAPORE COMPANY REGISTRATION**
- **HONG KONG COMPANY REGISTRATION**



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