

## **Important tips you shall learn before you enter the Chinese market**

### **Chapter 2: When Should I Set Up a WFOE in China?**

After gaining some business experience in China it may become clearer that it is time to set up your own operation and start taking control and ownership of your activities.

So when is the right time to open a WFOE?

- a) When you have a decent market share and stable income through your own business.
- b) When you have several employees that know your business, have proved to be loyal and professional and are able to take on additional management challenges.
- c) When you can identify an area where you feel you should have a stronger presence: near your clients, near your suppliers, near your competitors etc.
- d) When you come across a business activity that requires that you present your own business license and not use a third party's business license – e.g. government tenders.
- e) When your products require a complicated license which takes a long time, a lot of money, or both to obtain, therefore being a waste of time and money to register it under a third party and later transfer to your own WFOE.
- f) When you want to set up a comprehensive eCommerce structure that requires that you own your own ICP, open your own local bank account and have the right license to collect payments in China and transfer funds overseas.

#### **Checklist before coming to China**

China is not an easy place to conduct business and before coming to China you need to ask yourself a few basic questions:

- a) Product - is my product suitable for China? Are there more international/local players in my field? Is there a demand for my product? Basic or thorough market research will give you some information about the market for your product and will help you decide if, when, and where to try and enter the Chinese market.
- b) Budget – do you have enough budgets for your China adventure? China is an expensive place - and things may be a lot costlier than you expected. Salaries, rent, travel expenses, taxes, duties, and government fees are all surprisingly pricey. Prepare a budget for the first 2 years and double your estimate in order not to be surprised later.
- c) Time – do you have the time and patience to wait until the Chinese market will show signs of success? Everything in China takes longer than expected and you should be prepared to see results a lot later than you might have thought.
- d) Management resources - do you have enough management resources to manage the Chinese market? China is one country, but the size of a continent. You need to dedicate enough management resources for the market and not consider it as another country that falls under a manager who is handling several countries in the Asia Pacific region. You will require a special team both in the HQ and on the ground.

#### **About PTL Group**

Operating since 2000, PTL Group is an International Management company that supports foreign companies to enter and develop their business in China. Our unique sales incubation model allows foreign companies to focus on their



sales activities when first enter the Chinese market, whereas everything related to operation of a company can be taken care by PTL Group. The services we provide are as below:

- [Recruitment & HR Management](#)
- [Office Sharing](#)
- [Financial Management](#)
- [Logistics and Warehousing](#)
- [Marketing Management](#)
- [WFOE Set-up and Management](#)
- [Sales Incubation for companies without an entity in China](#)

For any further questions, please send us an inquiry [here](#).