

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

### **Chapter 3: Where Shall I Set Up My Manufacturing Plant in China?**

#### **Industrial parks in China**

There are a huge number of industrial parks that have been built in China in the past few years and they are all eager to attract foreign investment – something that is usually backed heavily by their local government. In order to achieve this, they offer many incentives to attract foreign companies including everything from free rent to reduced, or no, tax in the first few years. Some also offer a grant or flexible loan to make it even more appealing for a foreign company. Many foreign companies are falling into this trap and are choosing a park with the supposedly larger benefits, only to find out later that the benefits are not that useful and, on top of that, they have set up an entity in a park that cannot meet their needs.

Before signing on the dotted line with an industrial park you need to check the following:

- a) How many foreign companies are established in that particular park? You don't want to be one of the first and you should talk to all of the other foreign companies to learn about their experiences with the park management and/or the local government.
- b) Can you hire skillful employees in that area? Depending on your needs, you need to make sure you can hire the right people for your entity whether they are factory managers, mid-level line managers, engineers, QC people, workers, finance people, or HR specialists etc.
- c) Do the local government or the park authorities provide you with assistance with setting up the entity, managing work permits for foreigners, obtaining special licenses (environmental assessment, CFDA etc.), tax filing and getting tax benefits etc? If you need to do these by yourself or will have to hire a local agency, go to another park. Many parks that have experience with foreign companies have a great support mechanism in place to make life a lot easier for them. If the park you're considering doesn't have this infrastructure, no matter how good the benefits are, you will suffer a huge loss of time and money trying to solve the issues you will encounter.
- d) Check the terms and conditions of the grant or loan: what are the milestones that must be reached to receive the grant? When and how do you need to pay back the loan? What are the restrictions on the use of the money? What is your commitment to the park and for how many years?
- e) Is your industry suitable for that park or are there any restrictions in place that you may only discover after you have already signed a contract?
- f) How is the logistics infrastructure for moving goods, parts, and products in and out of the park? What is access to highways, railways, ports, rivers like etc.?
- g) Suitable living conditions for foreigners: if in the future you want to hire a foreign manager or staff is there international clinics and schools, plus decent hotels, supermarkets, and restaurants etc. in the area?

#### **Incubation models for manufacturing**

In order to avoid the challenges that are mentioned above, it is recommended you find an incubator for factories that can provide support in its entirety for the new factory, thus making it a lot easier, cheaper and quicker to set up a production or assembly line in China.

Most industrial incubators are located within the above mentioned industrial parks and therefore enjoy the same



benefits that the park offers, and sometimes even much better incentives.

The infrastructure at the incubator already exists. Licenses, permits, safety regulations, electrical power infrastructure, waste treatment, and access to water, air pressure and other basic requirements that a factory needs are already in place for the other factories in the incubator. Shared facilities and shared services can avoid the need to hire a person for roles within the factory such as an HR manager, financial manager, QC/QA staff, purchasing people, warehouse and logistics people, import/export agents, and staff for the canteen and recreational areas etc.

A newcomer to the incubator will need to focus only on his own business and will be able to set up his own assembly/production line according to his actual needs at that moment. Later, if necessary, it will be possible to expand within the incubator or move to a new building with the support of the incubator's team.

### **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](#).