

Blog: Doing Business in China

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There is a 3000-year-old Chinese proverb (yes you are reading it right. 3,000 years) which means “Keep up with the times”.

China is going through an industrial revolution and many Australians are simply unaware of what is happening over there. Take Chinese manufacturing for example, while many still believe China is producing some cheap (and shonky) goods, Chinese manufacturers are heading overseas due to the rising costs. The Boston Consulting Group, a leading global management consulting firm, recently found that China is no longer the country with the lowest manufacturing costs. In fact for every US dollar required to manufacture in America, it now costs 96¢ to manufacture in China, before considering the cost of transportation to America. So if you are still relying on decade old market intelligence, you are not keeping up with the times.

Are you aware of the massive transformation of China? For example:

- In 1990, only a quarter of China’s population lived in urban areas. In 2014, about 55% of the total population lived in urban areas.
- Domestic consumption has now become China's main economic driver. Last year it contributed 51% to the GDP growth. A consumer economy is now a reality in China, not a dream anymore.
- On 11 Nov 2015, China’s annual “Online Shopping Festival”, T-mall (leading B2C online retailer) saw sales worth RMB 91.2 billion (\$20 billion AUD) within 24 hours. In comparison, Australians spent just over

\$16 billion on online retail last year. It only takes one Chinese shop one day to generate more sales than the whole country of Australia in a year.

Despite these amazing numbers, you will need to be very realistic when approaching China. Because any number, no matter how small it is, will be massive when multiplied by 1.3 billion. But any number, no matter how large it is, will be tiny when divided by 1.3 billion.

Take the average disposable income as an example. Last year the city with the highest level of disposable income was Shanghai, just shy of RMB 48,000 (\$10,000AUD). And China's rural-urban income gap is so wide, that urban wage is three times higher than rural wage.

All this means one thing for your business: China is full of opportunities, but only when you have the right product to send to the right niche market at the right time with the right price. That means you need to be actively involved in discussions with Chinese businesses and government. As Australians often say,

“You don't know what you don't know.” But I am pretty sure that this proverb is less than 3,000 years old.

ABOUT CAO JING AND CHINESE LANGUAGE AND CULTURAL ADVICE (CLCA)

Cao Jing is the Director of an Adelaide-based company Chinese Language and Cultural Advice. CLCA is a boutique consulting and training company offering businesses and organisations highly specialised advice for dealing with China. Jing has been working closely with many different industry sectors such as wine, resources, tertiary education, tourism, and government. <http://www.clca.com.au/>