

Explore or Expand into China's Large Market

Kimberly Kirkendall - International
Resource Development, inc.

EMAIL: VIRTUALOUTSOURCE@HOTMAIL.COM

Kimberly Kirkendall, CPA

President, International Resource Development, Inc.

With 25 years experience in international business Ms. Kirkendall has lived and worked in Asia and Europe both an employee and consultant.

As President of International Resource Development, Inc. she works with companies in developing their international operations.

International Resource Development, Inc.



www.intlresourcedevelopment.com

EMAIL: VIRTUALOUTSOURCE@HOTMAIL.COM

- Second largest GDP in the world after the US beginning in 2010
- 20% of the worlds population
- Close to 400 billionaires in 2010 (officially 200) and of 14 self-made women billionaires worldwide – half are in China
- US exports to China rose 40% in the first 5 months of the 2010!
- Every 5 years = 20 years of similar economic development cycle in the US

Growth Industries for US Companies -

Because of the uneven supply chain development:

- **PROCESSING /TESTING EQUIPMENT**
- **HIGH TECH COMPONENTS**
- **INFRASTRUCTURE MATERIALS**
- **FAMOUS BRANDS**
- **AGRICULTURE**

Selling Into China – Change Your Perspective

1. The customer's personal experience varies from 1800's to 2000's
2. The distribution channels are either non-existent or inefficient
3. Your brand may (or may not) have any customer recognition
4. Sales in China, as a technical skill, didn't exist 20 years ago





Distributors – Agents - Office

1. The organic growth of distributors / agents has happened yet
2. The SOE sales model still dominates
3. Setting up your own office is an option – but expensive, a long term commitment, and you still have the learning curve
4. Crawl first, then walk, then run

BRAND BRAND BRAND

Brand = Reputation

- Define who you are:
- Use visual cues; photos, images, charts
- Benchmark to known companies
- The top of the line – and everyone else
- Character counts – Backstory

Customer Values in the US

1. Quality and Performance
2. Customer service
3. Knowledgeable salespeople
4. Product availability
5. Supplier stands behind what it sells
6. Supplier's ease of doing business
7. Salesperson follow-through on promises
8. Trustworthiness of the salesperson
9. Product durability
10. Salesperson accessibility
11. Acquisition price
12. Technical support

Source: Value-Added Selling, 3rd Ed., Tom Reilly

Compared to Customer Values in China

1. Quality and Performance – little experience
2. Customer service – little experience
3. Knowledgeable salespeople – little experience
4. Product availability – little experience
5. Supplier stands behind what it sells - reputation
6. Supplier's ease of doing business - relationship
7. Salesperson follow-through on promises - relationship
8. Trustworthiness of the salesperson - reputation
9. Product durability – little experience
10. Salesperson accessibility - relationship
11. Acquisition price – relationship = lower price “friend price”
12. Technical support – little experience

Chinese Customer's Decision Making

Decision making flow	Top down
Decision making style	By Department Loyalty
Expectations on quality	Based on Brand
Price uniformity across regions / nation	Extreme variations – don't trust the price
Expectations on price flexibility	High

Price Negotiation in China

- Situation: The Chinese buyer pushes for a lower price, it's a bidding situation. The Salesperson gives them the US "lowest" price
- Result: They ask for more. This is the starter price...if you lower it then they don't trust they will know where the bottom is, so leave some room!
- Remedy: Have reasons for price discounts that are not controlled by the Salesperson or the Customer. Such as - total order volume, size of each order, commitment to future orders, etc. Barter!

Training your staff on Value Selling in China

- Situation: The US keeps encouraging their Chinese sales people to show the customer how their product has more functions, will last longer, has intrinsic value
- Result: They don't recognize the value of those functions, and they aren't interested in paying for them – the brand maybe, but not the functions
- Remedy: Have a China specific model, that matches their needs. Or understand what they want rather than what you think they should want. Don't keep trying to educate them to adopt your frame of mind

How the US Salesperson is viewed, compared to the Chinese Salesperson

- Situation: The US VP sales goes into the customer and meets with the President
- Result: US is able to explain why their more expensive product is superior and the President says “lets order!”
- Remedy: Why couldn't the Chinese salesperson use this same technique?

Summary Points

- Are you selling them what they need or what you think they need?
- Have you clearly articulated your brand?
- How low can you go?
- Understand that US sales people are perceived differently – good and bad
- You have to educate your distributor / sales team and they have to educate the customer