

The SME Challenge

- Doing business in China takes time, money and energy. It also requires that principals and key technical staff of a firm commit to visit China a few times a year to work on business development, relationship building and specific opportunities. This means that productive resources will have to be diverted to pursue objectives that may take some time to realize and will not generate immediate returns.
- The value of an SME often lies in its knowledge (intellectual property or processes). China's track record of protecting intellectual property is not very good, and although China is making real efforts to try to improve the situation, we still hear of Canadian and foreign companies who see their futures jeopardized because their technology has been taken without appropriate compensation.
- Many SMEs are involved in services. Chinese clients are still very reluctant to pay for these services. They will often ask for free consultation and offer to fold the cost of it into future manufacturing (hard sales) opportunities.
- The cost of doing business in China is high. Travelling to the market is costly, as is adapting one's product or service to local tastes, needs and conditions. A simple example is the need to produce Chinese language literature to describe your company and its products.
- Companies need a partner on the ground to do business (an agent, distributor, representative, etc.). Given the cultural differences and the weak distribution infrastructure, finding the right partner is a challenge in itself.
- Last but not least - the inclusion of China in an export development plan should never be improvised. There are too many aspects to consider to make it successful.

Canadian SME Success Stories

Although China is challenging as an export market, there have been many successes for Canadian SMEs. The following are three companies from varied sectors who have found a market for their product and services in China.

- **Global Gourmet Foods** found success when they introduced their "Annie's Kiosks" this past November in Beijing. This fast food kiosk program uses Canadian food products and works closely with its key supplier Maple Leaf Foods. At first, Global experienced a number of common problems faced by foreign firms entering the Chinese market (e.g. inaccurate market info, determining the right winning concept, etc.). However, their patient partnership with the Beijing Bus and Trolley company has given them a huge boost of confidence, reduced many of the risks that they originally faced, and has helped them understand the realities of doing business in China.