



## How can a MNC manage to sustain growth in China?

When I entered my current company, I faced two major problems when I took up the China business. Firstly, at that time we did not have our own facility in China and our business was mainly relied on two major distributors. Unfortunately they were not cooperating smoothly and always complaining with each other instead of putting effort in business development. This channel conflict seriously affected our business growth even though when the market is booming.

Secondly, local competitors were improving their product quality and services and some customers were moving to local products. Even worse, some copycats of my company's product were coming out to the market because of lack of intellectual protection in China. Unless some actions were taken, probably we would have lost market share or even the whole market.

In order to service and manage the market closely, I started up a legal entity in China in short period. A local sales team was set up in order to manage the existing two distributors. Quickly, I found that both channels had plans to leave the business because they thought I will develop new distributors to replace them. I convinced them that they will get more support than before because of the new local office and promised that they will get reasonable return if they operate under my strategy on a clearly defined territory, pricing and report system etc. After setting up a level playing field, more new channels were recruited since then. Soon, number of channels tripled and sales were more balanced than before.

When fighting with local competitors, setting up a local entity is important so that my customers could receive local support and pay in local currency. More importantly, we could understand the customer demand and gave them confidence. In order to compete with copycat, I adopted a policy that for all products delivered in China, a counterfeit sticker (which was a label with serial number) was attached so that customers could telephone and check whether the purchased product was a real one or not. This really worked and the copycat product problem was basically solved.

China is a big and potential market but many MNC must have long term commitment and localization if they want to be successful.

Written by  
Terry Lee,  
iCEO #35377

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[www.ceo-europe.com](http://www.ceo-europe.com)

**+33 (0)970 448 419**

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