

# CRACKING CHINA'S RETAIL MARKET

## A Market Entry and Growth Roadmap

Where to start when looking to enter a market as vast, fast-paced, and unique as China's? Its complex regulations and distinct market conditions can be overwhelming even for experienced executives. As a consultancy that offers end-to-end support in advisory as well as outsourced services, we've accompanied many international companies along their China journey from their very first step. Below, we have summarised a typical roadmap, hoping to help you approach your China entry and expansion in a structured way. In each step, we have included some of the key questions that we commonly advise our clients to consider.

### 1. Analyse the market

- ▶ **Market sizing, segmentation and trends:**  
Regulations are powerful market drivers in China, but they can change overnight. How far should you base your investment decision on policy?
- ▶ **Competitor benchmarking:**  
What lessons can you learn from rising local contenders (both direct competitors and successful players in related categories/segments)?
- ▶ **Customer insights:**  
In China's "new retail" age, radically customer-centric models win. How can you go beyond a "good-enough" understanding of local customers?

#### FIRST THINGS FIRST: Trademark Trouble

One of our first questions to clients at this initial stage is: have you registered your trademark in China? Many assume this can be done later on, in the legal setup stage, but that's a **big misconception**. One client, a European sports gear manufacturer, recently won the rights to commercialise their brand in China after a 15 year legal battle against a local "**trademark squatter**". Chinese law protects the "first to file", regardless of whether they can prove intellectual ownership. So it's never too early to file your trademark in China!

### 2. Choose your strategy

- ▶ **Channels and market entry methods:**  
Should you "test the waters" by selling on a cross-border e-commerce platform first? When is it time for offline distribution or an own store?
- ▶ **Location search:**  
Where should you open your retail store to ensure the right positioning, and where should you locate your office(s) to access the right talent?
- ▶ **Distributor search:**  
Should you use a broad distributor network or enter into exclusive contracts? Do you need different partners for online and offline?

#### DISTRIBUTORS: More is More?

When it comes to a distributor strategy, there's no one-size-fits-all solution. We usually recommend a **multi-distributor** approach for reasons such as risk management and geographical coverage. But sometimes, we advise smaller niche brands to choose **fewer, larger partners** who will have the scale and capital needed to push a lesser-known brand.

### 3. Set up your operations

- ▶ **Legal setup:**  
Is opening a Wholly Foreign Owned Enterprise (WFOE) necessary to carry out your planned activities? Even selling online-only may require it.
- ▶ **Hiring and outsourcing:**  
Local talent is key for effective online sales and marketing. Should you build up an in-house team or fully outsource these functions?
- ▶ **Systems and processes:**  
In an omnichannel "new retail" setup, how can you ensure synergies and seamlessness between online and offline, instead of friction and silos?

#### ERP: Old-School Omnichannel?

"New retail" sounds complex but it doesn't have to be. Before worrying about AR interfaces to capture customer insights, start by having a solid **ERP system** that synchronises your **online and offline inventory** and gives you **real-time visibility** of sales trends. This alone can ensure on-demand stock availability and tailored product assortments. That's omnichannel seamlessness at its simplest.

### 4. Expand and optimise

- ▶ **Ongoing market analysis:**  
Are you collecting enough real-time consumer data and regular market insights to inform your R&D, supply chain, and marketing?
- ▶ **Organisational transformation:**  
Could changes in your organisation's culture, structure, processes, or tech help you unlock agility to meet the pace of the Chinese market?
- ▶ **M&A and strategic partnerships:**  
Should you consider new partnerships or M&A to achieve a solid omnichannel strategy more quickly?

#### SPEED TO MARKET: Finding Shortcuts

By partnering with Tmall, Unilever China leveraged **data** about buyer preferences to co-create a new skin cleansing product, "Purifi", in only six months – a fraction of their usual **product development** cycle of 24-36 months. But data and digital partnerships are not the only fast-track path. We have helped many clients unlock agility internally by performing "**Corporate Healthchecks**" to identify and tackle inefficiencies that hamper their speed to market.