

Thecasesolutions.com Shanghai Diligence Law Firm, Chinese Version

China Economic Characteristics

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China is the 2nd largest economy in the world according to GDP.

In 2014 China's GDP current prices was at \$16.217 trillion USD and their GDP per capita was \$5,647.27. China's GDP is expected to increase by a range of 7-7.4% in the next four years. China's GDP per capita is the 71st lowest in the world.

The 13th 5-year plan for the last three decades has transformed into a market-oriented economy with a boom in private sector.

China General Statistics

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In China's population only 13.4% of people are below the poverty line and they have an unemployment rate of 4.1%.

42.3% of China's economic structure is industries. China's economy grew 7 times as fast as America's over the past decade.



China Demographic Characteristics

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China has 1.351 billion population. The projected growth rate for 2015 is 0.5%.

China is currently nearing a stage five on the demographic transition chart; meaning that their death rate is higher than their birth rate.

As of July 2013, 46.7% of China's population were between the ages of 25-54 years old. 3% of their population is literate.

China bases literacy off the definition that age 15 or older can read and write.

China Political/Legal System

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The People's Republic of China is run by a President and Vice President that are elected by the National People's Congress.

The president's term of office is five years.

The government in China is powerful and centrally controlled.

The Communist Party of China (CPC) holds defining influence over the country's people, politics, development and foreign relations.

China Market Characteristics

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The Chinese consumer is eager to experiment with new brands, products, and services.

Chinese consumers are willing to pay high prices for added value to products.

The purchase criteria is guided more by getting quality for the money spent, than by the image of the company or product that is acquired.

Chinese consumers do not have very clear distinct perceptions about Western companies, their brands, and products.

Chinese consumers are price sensitive but brand conscious.

China Infrastructure

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China controls almost 50% of its GDP on investments in roads, bridges, boats, ports, technology, factories, and office buildings.

In 2012, China will invest up to 5 trillion square meters of road. China has ambitious plans to merge rail lines across the world from China.

In 2012, China unveiled the world's fastest high speed train which connects China to Shanghai and Beijing.

China has an ambitious five year plan to bridge the divide between urban and rural areas.

The goal is to major shipping ports with a capacity of over 10 million tons per year.

China has more than 2,000 ports.

China Incentives of Doing Business in China

A foreign investor who wants to invest in China will benefit from actual incentives as well as actual incentives granted by the government. National and local governments also offer a wide range of incentives to attract foreign investment.

The actual incentives that will be offered to foreign investors will change with time and are not strictly in the government's hands. The actual incentives will change with the way in which the government will be able to attract foreign investment.

Zara Industry

Zara is a fast fashion retailer that has a large market share in Europe and the United States. It is known for its quick turnaround and low prices.

Zara's success is due to its efficient supply chain and its ability to respond quickly to changing fashion trends.

Zara's business model is based on frequent inventory turnover and low inventory levels.

Final Conclusions

The Chinese market is a vast and growing market with significant opportunities for foreign investors. However, it is also a highly competitive and complex market with many challenges.

Foreign investors should carefully consider the risks and opportunities of doing business in China before making any investment decisions.

The End!

Zara Global Impact

Zara's global impact is significant, particularly in Europe and the United States. It has a large market share and a strong brand identity.

Zara's success is due to its efficient supply chain and its ability to respond quickly to changing fashion trends.

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China Technology

Science and technology in China has in recent decades grown rapidly. The Chinese government has put focus through funding, reform, and societal status on science and technology as a fundamental part of the social and economic development of the country as well prestige as a nation.

China's continued growth has a huge part due to technology and innovation and stresses importance on new technologies that will bring more and more international business to the country. China is well on its way to being the number one location for technological research and development (R&D) stations for companies looking to expand.

Zara in China Marketing Mix

Zara's marketing mix in China is focused on product, price, place, and promotion. It uses a combination of traditional and modern marketing techniques to reach its target audience.

Zara's product mix is based on fast fashion and low prices. Its price mix is competitive and attractive to Chinese consumers.

Zara's place mix is focused on major cities and shopping centers. Its promotion mix includes advertising, public relations, and sales promotion.

Zara in China Location Distribution

Zara's location distribution in China is primarily in major cities and shopping centers. It has a strong presence in Beijing, Shanghai, and Guangzhou.

Zara's location distribution is based on its target audience and its marketing strategy. It focuses on high-traffic areas to maximize its sales potential.

Zara in China Price Policy

Zara's price policy in China is based on low prices and frequent discounts. It uses a combination of traditional and modern pricing strategies to attract Chinese consumers.

Zara's price policy is competitive and attractive to Chinese consumers. It focuses on low prices to drive sales and increase market share.

Zara in China Ways to Enter

Zara has several ways to enter the Chinese market, including direct investment, joint ventures, and franchising. It has a strong presence in major cities and shopping centers.

Zara's ways to enter the Chinese market are based on its target audience and its marketing strategy. It focuses on high-traffic areas to maximize its sales potential.

China Culture Elements and Hofstede

1) **Power Distance:** China is a country with wide power distance, high hierarchy and high level of respect to older people. Chinese employees indicate good theoretical social power and wealth. All the decisions are made top-down. Planning is left to the super or top subordinates, who has greater trust and power.

2) **Uncertainty Avoidance:** China is quite high, that more attention should be given to risk averse and cautious at workplace.

3) **Individualism vs. Collectivism:** As it is a collectivist country, family or organization prototype is valid wide. All decisions are made by trying to assess the interests of powerful member of the group.

4) **Masculinity vs. Femininity:** China is a masculine country and the ideology of male superiority in China prevails even these days as it is a country of traditional values.

Notes from Hofstede's dimensions such as gender, culture or gender is very important in understanding Chinese culture.

China Trade and Tax Policies

Tax Policy

China has a complex tax system with many different types of taxes. The most important taxes are the value-added tax (VAT), the corporate income tax, and the personal income tax.

China's tax policy is based on low taxes and frequent discounts. It uses a combination of traditional and modern tax strategies to attract Chinese consumers.

Trade Policy

China's trade policy is based on low prices and frequent discounts. It uses a combination of traditional and modern trade strategies to attract Chinese consumers.

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China Risks of the Country

Understanding the risks of the country is important for foreign investors. China has a complex and changing legal and regulatory environment. The Chinese market is highly competitive and complex with many challenges.

China's risks include political instability, corruption, and a highly competitive market. Foreign investors should carefully consider the risks and opportunities of doing business in China before making any investment decisions.

China Sector of Opportunities

China has many sectors of opportunities for foreign investors. The most important sectors are technology, manufacturing, and services.

China's sectors of opportunities are based on its target audience and its marketing strategy. It focuses on high-traffic areas to maximize its sales potential.

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China's GDP per capita is the 91st lowest in the world

China's economy during the last three decades has transformed into a market-oriented economy with a booming private sector

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China

Infrastructure

China spends about 50% of its GDP on investments in: roads, bridges, trains, ports, technology, factories, and office buildings

By 2025 China will pave up to 5 billion square meters of road
China has an ambitious plan to merge nine cities around the Pearl River Delta

In 2010, China unveiled the world's fastest bullet train which connects China to Shanghai and Hangzhou

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China has an extensive five-year plan to bridge the divide between the urban and rural areas

They have 16 major shipping ports with a capacity of over 50 million tons per year

China has more than 2,000 ports

China Human Resources

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- Chinese HR management practices have experienced immense changes with the transformation of the Chinese economy from a traditional state-controlled one to one that is more open and market-orientated.
- Employment and hiring decisions are largely influenced by top level manager preferences and the importance of Guanxi in the workplace.
- Compensation systems are usually linked to performance, skills and job levels in most businesses.
- A key factor in Chinese performance management is the moral aspect of assessment, like having a good work attitude, team spirit, and diligence.
- The goal setting process in performance management/ assessment is very rare in Chinese businesses, which is unlike other traditional Western systems, and few Chinese enterprises have goal setting integrated into their performance management system.