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HSBC NAVIGATOR: CHINESE CONSUMERS WANT CANADIAN-MADE GOODS

Survey charts international businesses' ambitions to sell to China's fast growing consumer market
"To succeed in the future, international businesses must be 'Made for China'"

Canadian businesses are increasingly looking at China as a future growth market to sell and export their products and services, according to findings from HSBC's first *Navigator: Made for China* survey.

The survey results showed that China is projected to be an important market for future sales or exports for about three out of five (58%) of Canadian businesses. And among those Canadian businesses surveyed who are currently not selling or exporting to China, slightly under one-fifth (16%) are likely to expand into China in the next three to five years.

HSBC's *Navigator: Made for China* survey explores the intersection of international businesses' growth ambitions with China's increasingly affluent and discerning consumers. In September, the survey canvassed the views of 1,205 small and large companies in 11 key global economies that already export to China or are considering doing so.[1]

"As China becomes a more urban society, its rising middle-class consumers are increasingly demanding quality manufactured goods that will enhance consumers' lifestyles," **said Linda Seymour, Head of Commercial Banking at HSBC Bank Canada**. "This consumption upgrading in China will provide enormous opportunities for products and services from Canadian companies who want to grow their business and tap the large and growing affluent Chinese market."

What Chinese consumers want
International businesses believe that technology-related products and services will achieve the fastest growth in China, reflecting the sophistication of Chinese consumers and their demand for products that can enhance their lifestyle.

Among Canadian respondents, 38% said that exports in the technology services sector (such as information technology, biomedical technology, big data and artificial intelligence) would grow the fastest. High-end intelligent equipment such as that found in the 'Internet of Things' (30%) and consumer electronics (24%) and were also identified as expected leaders in export growth to China.

Strategies of exporting to China
China's business environment is dynamic and can be rewarding for many foreign companies, especially those who conduct the proper research and carefully craft a strategy to execute.

For Canadian businesses surveyed, the top three strategies for entering the Chinese market are:

- Selling directly (43%)
- Developing local distributor networks (42%)
- Developing joint ventures / a joint venture (38%)

Additionally, slightly more than three in ten (31%) of Canadian businesses surveyed also mention setting up a subsidiary company in China as a strategy to access the market.

more

[1] Europe: France, Germany, UK
Asia-Pacific: Australia, Hong Kong SAR, Malaysia, Singapore
MENA: UAE
North America: Canada, Mexico, USA

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For businesses interested in selling in China, the top three channels according to Canadian responses are:

- Direct sales through the company's website (62%)
- Sales through a third party website (56%)
- Direct sales through local e-commerce platforms (55%)

Challenges? What challenges?
Understanding the local business culture (45%) was identified as the top challenge faced by Canadian businesses already selling or exporting to China – a concern also felt among European companies (43%) but less so by companies in the United Kingdom (28%) and the U.S. (33%). Having to allow more time for regulatory compliance in China (34%) and the need to price more competitively (30%) were seen as further challenges by Canadian businesses.

The top three challenges for a Canadian company's growth according to those surveyed are market knowledge (38%), regulatory requirements (35%) and finding the right local partner (35%).

Changes made by Canadian businesses surveyed to meet these challenges are setting up subsidiaries in China (31%), improving their own distributor network or relationships in China (31%) and setting up partnerships with local companies in China (29%).

"To succeed in the future, international businesses must be 'Made for China.' China is no longer just the world's factory; its fast-growing consumer market is prompting international businesses to re-evaluate how and what they sell to China," **said Stuart Tait, Regional Head of Commercial Banking, Asia-Pacific, at HSBC.**

"While made-in-China goods are found in-store and online around the world, the rapid development of China's economy means that Chinese consumers are shaping the strategies of international businesses. These companies need a new playbook: 'Made in China' is no longer enough; they and their products need to be 'Made for China,'" **said Tait**.

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Note to editors:

About Navigator: Made for China
HSBC's inaugural Navigator: Made for China report surveyed 1,205 businesses with turnover of $5m-$50m USD turnover from 11 key markets globally, including: US, UK, Singapore, Malaysia, Australia, Hong Kong SAR, UAE, Germany, France, Canada and Mexico.

Survey respondents were key decision makers from businesses already or considering selling and exporting to China. The survey gauges future growth drivers of trade to China, strategies and sales channels as well as fast growing sectors and consumer generations.

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