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Creating an import network China to Finland

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Tämä opinnäytetyö käsittelee tuontiverkoston luomista Kiinasta Suomeen. Teoreettisessa osuudessa käsitellään Suomen ja Kiinan välisiä kauppasuhteita. Tavoitteena on luoda kuva kiinalaisen liike-elämäkulttuurin eri piirteistä. Empiirisen osuuden toteutan projektimuodossa, tässä minulla on toimenkuvana luoda tätä varten luodulle toiminimelle (TJ-Tech) toimiva tuontiverkosto Kiinasta Suomeen. Yhdistän teoreettisen ja empiirisen taustatutkimuksen selvittäessäni Kiinan tuonnin peruseräotteita. Empiirisen kokemuksen taustojen tutkimiseen sain vuonna 2012 ollessani työharjoittelussa Kiinan Shenzhenissä Genford Ltd nimisessä yhtiössä. Yhtiö on erikoistunut konsultointipalveluihin ja sitä hallinnoi Mika Tavast, joka on pitkän linjan yrittäjä Kiinassa yli 10 vuoden kokemuksella ja toimii myös Suomen kauppakamarin puheenjohtajana Guangdongin maakunnassa Etelä-Kiinassa. Hänellä oli suuri vaikutus siihen, että pystyin lähtemään luomaan tuontiverkosta ja tekemään kauppaa ennestään tuntemattomassa maassa, ilman välikäsiä. Tämä myös tuntui loogisimmalta vaihtoehdolta lähteä työstämään opinnäytetyötä aihealueesta, jossa on päässyt konkreettisesti toimimaan.

Suuriman osan ajasta työskentelin Manner-Kiinassa, joka oli välttämätöntä projektin onnistumisen kannalta. Matkoja on tullut tehtyä tänä aikana neljä, joista pisin aika oli kaksi vuotta paikan päällä Kiinassa.

Projektissa pureudun käytännön asioihin ja kerron kuinka asiat tapahtuivat minun kohdallani ja tuon omiin havaintoihini perustuen asioita esille. Opin matkan aikana paljon käytännön asioita ja sain neuvoja monta vuotta Kiinassa asuneilta ulkomaalaisilta yrittäjiltä. He jakoivat korvaamatonta tietoa, miten asiat toimivat ja miten niiden tulisi toimia. Näitä tietoja ei välttämättä oppikirjamateriaalista tai internetistä löydä. Oli myös paljon asioita, mitkä piti itse kokea, ymmärtääkseen asioiden kulun.

Haasteita tämä projekti on tarjonnut kiitettävästi, mutta näin jälkikäteen katsottuna asiat menivät kohtalaisen hyvin ja projektille asetetut tavoitteet täyttyivät.

Keywords

China, Finland, Business relationship,

ABSTRACT

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This thesis is about the creation of a network of imports from China to Finland. The theoretical part deals with trade relations between Finland and China. The aim is to create a picture of the different characteristics of Chinese business culture. The empirical part is done in project form, here I have a job to create an import network from China to Finland and for this purpose, have created the TJ-Tech Company. I combine theoretical and empirical background research when finding out the basic principles of the Chinese import. I gained the empirical background for the study while I carried out an internship in Shenzhen, China, at a company called Genford Ltd, in 2012. The company specializes in consulting services and is managed by Mika Tavast, he is a Finnish businessman who has worked in China for more than 10 years, and also serves as the chairman of the Finnish Chamber of Commerce in Guangdong Province in southern China. He greatly contributed to the fact that I was able to create the import network and do business in a previously unknown country, without intermediaries. This also seemed to be the most logical option for my thesis topic, something that I had a concrete experience of.

Most of the time I worked on mainland China, which was essential to the success of the project. Four trips took place during this time and the longest time spent on site in China was two years.

In this thesis, I will describe how the project proceeded and present the outcome. I will also add my own observations, based on the issues raised. I learned a great deal of practical things during the trip and received advice from foreign entrepreneurial residents who had worked in China for many years. They shared their invaluable

knowledge of how things work and how they should act. Such information may not be found in textbook material or on the Internet. There were also a lot of things, which one had to personally experience, to understand the course of matters.

This project has passed a great deal of challenges, but in retrospect, things went fairly well and the objectives of the project were achieved.

Keywords China, Finland, Import, Business, Culture



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Interviewee 2: Mr James Lee, DT-Technology, Shenzhen, China

1. INTRODUCTION

Finland established relations with China in early 1950. Since then, they have enjoying a longstanding and traditional alliance. This long-lasting relationship reflects to the present economic and trade cooperation between China and Finland.

The research question and what this thesis is about is how to create a functional import network from China to Finland. For this purpose, I have created a company called TJ-Tech, the main purpose of which is to import high quality LED lights and related products straight from Chinese factories, without any middleman.

By learning and doing all the steps by myself, I will gain an overall picture of the process behind importing from the world's biggest market. This project started in 2012 and China was then a new and unknown area to me.

This thesis has mainly been built around the empirical part and the theoretical part has been implemented for strengthening the already existing information from various sources. I interviewed two Chinese colleagues from this field to gain the view of Chinese employees on these issues. Most of the information has been drawn from the Internet and learned through practical work.

So far during this project, I have visited China several times, and lived there for a few years at the beginning of the project. Living in China was essential for the project to achieve its goals and gain an overall understanding of the importing business. These years in China taught me a great deal about the China business culture and how things are dealt with in practice. This thesis includes a great deal of so called silent information. This information has been shared to me by foreign entrepreneurs, who have worked for a long time in this field.

THEORETICAL PART

2. CHINESE BUSINESS CULTURE

2.1 History of the Finland-China relationship

The PRC was established on 1 October 1949, when the Chinese Civil War was still ongoing, and the seat of the Government of the Republic of China was not relocated to Taipei until December 1949. All of the countries that recognized the new PRC government were communist states. Finland recognized the Republic of China on 13 January 1950 and signed a diplomatic relationship on 28 October 1950. In 1953, China and Finland established an intern-governmental trade agreement between the countries and it was the first of its kind in the European region. Finland has been China's largest trade partner in the Nordic area in the 2010's. Equally, China has been Finland's largest trade partner in the Asian region. (Ministry for foreign affairs of Finland)

“Given the traditionally sound political relations, complementarities between the two economies, and the great passion of the two business communities for cooperation, the bilateral economic and trade cooperation is promising and enjoys enormous potential.” (Ministry of Commerce PRC Website 2016)

2.2 Why import from China?

“With 90 percent of the world's goods being manufactured in China and more than 80 percent of goods imported worldwide from China, it only makes sense for entrepreneurs and businesses to import from this high-growth country. Low labour costs and cheaper production inputs allow for a higher profit margin than if importing from other countries. Thanks to the high manufacturing capacity, the transit times of import products are much faster coming from China.” (Hom 2012)

Here are a few basic questions. “Where do you find suppliers? How do you know what’s going to sell? When you know that, how do you know what to sell? How do you eliminate the risk of scams and bad shipments? Where do you even begin to research?” (Mitchell 2016)

There are no easy answers to these questions, but I will try to provide answers in this thesis. Like any project, one first needs to have a clear vision and an understanding of the project and the aims of it, before jumping right into it. Without proper research and knowledge of how things work in China, one will probably end up being scammed or at least get worthless fake products without any commercial value. In the best scenario, everything goes well and you might succeed the first time, before they spot your weakness and you end up losing even more money.

The first step in importing is selecting the products to import. Finding the right products to sell is the most important part, because everything depends on whether your product is selling or not. In this stage it is important to work wisely and spend a great deal of effort on research work. Even though economic experts say that the golden days of China's importing are already over, they still believe there are opportunities, especially in niche markets, in the 2010’s.

From the beginning of this project, TJ-Tech had a clear vision of what to do. Our goal was to import high quality industrial LED lights to our clients in Finland and do this in an as cost-effective a way as possible, to comprehensively fulfil our clients’ needs.

2.3 Negotiation culture in China

A negotiation in China is not a sprint; it is more likely a marathon which takes place over a longer period of time than in the West. Prepare for the fact that the negotiations could stretch to several days in length. For the Chinese, the creation of trust is highly important. In the first act, negotiating will remain limited and mainly focuses on getting to know each other. Leave your evening free, because getting to know one another does not stop according to the viral negotiation time framework, it is likely to continue over dinner and exploring karaoke with the potential trading

partner. In China, a business relationship may be based more on human aspect than in the western business culture. (AMS, 2009)

The start of the negotiations is a place where it is possible to affect the other party. The parties always compare their own goals and the expectations of the other party objectives and expectations. The Chinese are good at using this situation to their own advantage. Typically, they demand Western parties to present their case first, so that they can benefit themselves from the information they hear. But, on the other hand, a Western point of view may also be a good place to start, so that the negotiations can be directed in the desired way. (Blackman, 1997, 168)

“Maintaining balance and harmony is an important aspect of Chinese thought. Chinese do not want to “lose face,” and they also do not want to cause you to “lose face. Therefore, they will rarely disagree with you in public, and will, instead, emphasize friendly relations and cooperation.” (Forbes, 2011)

There are many different ways to avoid these conflicts, the best way is to show genuine respect. Body language and arrogance is interpreted as disrespect, and it will complicate the negotiations. When we talk about prices, one should avoid contempt for Chinese products and to be without comparing such to other countries where there are similar products. It should be remembered that in the negotiation situation, one must never lose their temper, the Chinese people will appreciate the self-control and the peaceful course of events. (Blackman, 1997)

If the passage of negotiations differs from what we are used to in the Western world, the negotiating environment is also no exception to this matter. Instead of a formal negotiating table, counterparties sit on sofas with a tea table in the middle. It is not unusual that there are fruits, and smoking is part of the negotiation culture in China, it's not mandatory however. (Blackman, 1997)

The Chinese cannot say no. Chinese people will never say no as a response to a question or suggestion. They do not want the other party to think that they cannot handle the demands for an order. They want to be at the top of the negotiation, and prefer to give concessions and tell white lies than strictly say no. It is not always

certain if they understand everything as we want it to be, however they will not admit or show that in any way. There for topics and key points that must be repeated several times to achieve a common understanding. (Ams 2009; Blackman 1997, 192)

This research backs up my own empirical experience when I went to visit factories in China and participate in business negotiations there. I will point out how Case TJ-Tech meetings went and what I personally experienced when visiting factories in this theses on page 18.

Be ready to negotiate on everything
Spend time building your relationship
Know your objective and do not let your self be destabilised
Remain professional every step of the way
Deal with every problem separately
Keep in mind the balance of power, and be sure to maintain control of key elements
Read between the lines when your interpreter talks to you
Formalise your agreements every time
Win-win: give way on the less important points, which will give face
Keep in mind that a negotiation is like a game, and never lose your temper- never

Table 1.Summary of negotiation customs in China (Modified after AMS 2009)

2.4 Finnish working customs from a Chinese point of view

Finnish employees are desired workers around the world, they have a reputation as initiative and responsibility workers. Finnish workers are used to working independently and making decisions by themselves. Chinese working customs are more social and decisions are made together with co-workers or management. In

Finnish working culture, if something is decided together, employees and management expect everybody to do as decided. In China, this is not always the case, because there are many decision makers, things may go in a different order from what we are used to in the western business world. (Infopankki.fi 2016)

I made a few short interviews with Chinese workers, who have worked together with Finnish co-workers or clients. In these interviews, the same stereotypes of Finnish workers were also highlighted. Both of the interviewed persons pointed out that it is easy to work with Finns, they have clear instructions of the projects and their working way is pragmatic. Finnish workers talk directly and even slavishly respect the working schedule. They say that the Chinese style of working is more flexible and more social.

There are many levels of management and decision makers, this can be problematic if one is not used to working in this kind of business culture. It is highly important when working in a Chinese company to respect higher level workers and management, especially when we are used to stating our opinion straight to our boss in Finland, without fearing that he or she may experience a loss of face.

Overall, they valued Finnish workers and companies as great assets to Chinese companies.

Interviewee 1: Mr Feng He, Micro Screw Automation, Shenzhen, China.

Interviewee 2: Mr James Lee, DT-Technology, Shenzhen, China.

3. INTERVIEWS

Interviewee 1: Mr Feng He.

Interview 02/05/2016

1. Can you please state your name, position and how long you have worked in the field?

Feng / Key Account Manager / Couple of years, this position 1 year

2. How did you come to this work field?

I have always been interested in working in an international company and my previous work was in the export business field.

3. As a key account manager, you have worked closely with representatives of a Finnish company. What differences do you see between the Finnish and Chinese negotiation/business culture?

The Finnish Style of negotiation is more pragmatic, they talk directly, all for high efficiency and dealing within small groups. The Chinese Style is more social, with a big relationship, considered in a big group involved in the same decision making. When I cooperate with Finnish clients, they always have a clear vision how they think things should go and want to make every detail as clear as possible.

4. How will this show in your daily life work?

Our company has a multicultural working environment and we have several Europeans and Americans working with us in our China office.

5. What challenges do you see between China-Finland business trading?

Business culture differences. Chinese companies are patient and flexible, where Finnish companies want things to be taken care of fast and according to the book.

6. How do you see Finland-China companies developing in markets in the near future?

China has developed rapidly over recent decades, especially in the field of technology, where Finland has been a pioneer for a long time.

Finnish companies and workers are highly valued in Chinese business life. I personally think that they make highly efficient cooperation together.

Interviewee 2: Mr James Lee.

Interview 16/07/2016

1. Can you please state your name, position and how long you have worked in the field?

James lee, sales manager at DE-Tech, around 5 years in this position.

2. How did you come to this work field?

I studied international business in China University (Shanghai) and my family background is in import/export business.

3. As a sales manager, do you have Finnish customers? What differences do you see between Finnish and Chinese business culture?

Yes, actually it is Swedish company, but the contact person who I work with is a Finnish employee. He is very polite and professional in his field. There are a few differences in his working ways, but I'm used to it, and have even adopted some of the working ways. Punctuality and problem solving skills are something, where we have lot of room for improvement.

4. How will this show in your daily life work?

The time zone difference is six hours, so I work with the Finnish clients in the afternoon.

Typically emailing and phone calls, when there is ongoing order from the Swedish company. Quality control and reporting to the buyer is part of the daily work.

5. What challenges do you see between China-Finland business trading?

I think that Finland and Sweden from Europe can maintain good business relationships to China in the future, despite the EU economic situation. Cheaper countries are beginning to manufacture certain products and China is becoming more expensive than what it used to be.

4. PREPARING TO OPERATE IN CHINA

4.1 Applying Chinese visa

When entering the Chinese mainland for business purposes, one must apply for the correct visa. A Finnish passport holder may apply for a Chinese visa from the Embassy of China in Finland or at the custom border of the Chinese mainland. There are many categories of visa options and only a few for business purposes.

The most common for business purposes is the M category visa (Foreigners who intend to go to China for commercial and trade activities). In my case, I also used this. This visa has a certain requirement, such as an invitation letter from a Chinese company or a foreign company which is located on the Chinese mainland. M visa can only be applied for at Chinese embassies, not at the Chinese border. (Embassy of China in Finland 2016)

This information may change frequently. It is recommended to check for the latest information on the embassy website before applying for a Chinese visa.

When submitting the application to the embassy, there is a short interview and, based on that, the embassy officer will make a decision on the application. There is possibility to apply for single entry, a two time entry, a 6-month multi entry, 12-month multi entry. The most common is the 6-month multi entry, which helps travelling between Hong Kong/ Macau and the China mainland. Single-time and two-time entries are valid for 60 days per entry. (Embassy of China in Finland 2016). In Finland, it is possible to apply for two active identical passports, in this way it is easier to apply for visas in embassies and meanwhile the passenger is not tide to stay in the application country. (Police of Finland 2016)

It is highly advisable not to violate Chinese visa rules by overstaying. Overstaying is charged per day, and immigration officers do not allow the overstaying person to exit the country without payment fee. This will also affect any future visa application. A 5-day restricted visa can also be applied for at the Chinese mainland border at Shenzhen. This visa only permits one to stay inside the Shenzhen districts. Guangzhou, Shanghai and Beijing and a few other major city airports offers 72h visa free stays for Finland passport owners. (Embassy of China in Finland 2016)



Figure 1. Logo of Chinese embassy in Finland. <http://www.chinaembassy-fi.org/eng/>

4.2 Financial transactions

For a short term visit to China only for business, it is not necessary to open a Chinese mainland bank account. For a longer stay or when living in China, it is convenient to own a Chinese bank account.

When choosing a bank, there are several options. These days almost every bank in large cities offers English service, but there can be differences between districts. When opening a bank account, individuals at least need to bring their passport to open a bank account, and depending on the bank, they may also require a proof of address and income. A basic account opener will receive an ATM card which works across China. (WU 2016)

Every Chinese card has a unionPay feature, unionPay cards are used by more than one billion customers and it is the world's third-largest card brand. A UnionPay card is widely accepted across Asia and Europe, in total 141 countries. In 2015, use of unionpaycard is unavailable in Finland, but unionPay have plans to be payment option in all Nordic countries by the end of 2016. Depending on which bank you choose, one can select either a Mastercard or Visa logo on your card, which means that the card works all over the world where these logos are displayed. These cards are not always credit cards, even though they may possess a Mastercard or Visa logo. (NETS 2016)



Figure 2. UnionPay logo. <http://www.unionpayintl.com/en/index.shtml>

A Chinese credit card is more complicated to claim than a western. There are several requirements (depends on banks as well) to meet. They need to have a residential VISA category L or M on the passport, a proof of income and address. Banks require a deposit of an amount that is equal to the desired credit limit (China Merchants Bank 2014)

Internet banking is not as easy yet, compared to western Internet banking. In 2015, only a few major banks offer an Internet banking service in English. When using a

Chinese internet bank, there is a USB stick which needs to be plugged in a computer to access your account safely. To activate an Internet banking service, banks also require a proof of income and address.

For western customers, the advantages of these banks are multicurrency accounts. Normally under a master account, the card is linked to several sub-accounts for currencies like USD, EUR, HKD. This makes things easy when paying expenses in different locations and avoiding currency exchange fees. When paying house rent, it's essential to have a Chinese bank account to transfer money to the house owner and with everyday living it's much more convenient to pay shopping with a local bank card than using an overseas bank card. (WU 2016)

The downside is a lack of the Chinese banking system. Account to account transfers may take days. It is, however, only possible to make changes to an account in that specific branch in which the account was opened.

List of banks recommended for a western customer:

-China Merchants bank

-Bank of China

-HSBC China



Figure 3. China Merchants Bank, Bank of China, HSBC China logos

I personally use China Merchants Bank for daily life shopping and a HSBC premiere account for business purpose. HSBC premiere have 7 sub accounts for different currencies, Internet banking is easy and they provide a 24/7 English

customer service. The account holder will also get their own customer relationship manager to assist in any questions.

Most of these cards do not have an EMV chip, they use a magnetic stripe and pin number. When using a Chinese credit card in Finland without an EMV chip card, a pin is not required, only a signature. UnionPay cards have a feature to send a real time SMS verification to a phone that is linked to the bank account, it is an easy way to check that the billing is correct.

4.3 Accommodation

When travelling to China for a short stay or travelling on business inside China, there is a wide range of hotels to choose from. Major Chinese cities have all the biggest western hotel brands, for example Hilton, Ramada, Four Seasons, Radisson and Holiday Inn. These hotels are relatively inexpensive, if compared to other countries. Also, local hotel brands are normally high-quality and cost-effective. These hotels cost around 600RMB per night, approximately 80 EUR.

One of the biggest hotel chains in China is 7 Days Inn, they offer clean basic rooms, including all necessary facilities starting at 100RMB per night. One can also stay there for an extended period for as low as 2000RMB per month. They have several hotels in almost every city in China and the hotels are located in the heart of the cities.



7天连锁酒店

Figure 4. 7 Days Inn Logo. <https://www.7daysinn.com>

I was looking for accommodation for a longer period. In Shenzhen, there are areas where most of the western people are located. Shekou is one of them, and I also stayed there. There are several housing agents which can help you in the rental

process (or buying, if that is the case). They speak fluent English and they are specialised in serving foreigners.

Most of the rental houses are fully furnished. The price level in these “foreign” areas is higher than normal Chinese areas. Two bedroom fully furnished apartments cost around 5000RMB per month, plus an electricity fee, which can be very high during hot summer seasons. The houses are all relatively new, most houses have their own pool, gym, garden and other amenities. Security is really strict and housing areas have guards 24/7 at the gates where tenants enter the house area.

Young people in particular prefer shared housing in these areas, because of the high rental prices. There are several webpages for foreign people in the Shenzhen area to look for shared housing ads. One of them is <http://www.shenzhenparty.com/> where one can also look for job advertisements and overall info on what Shenzhen City can offer foreigners.

EMPIRICAL PART

5. CASE TJ-TECH

5.1 Project background and goals

TJ-Tech was established in 2013. At that time, I worked for a company called Hypcom Oy (ltd). One of the work tasks involved was lighting purchases for a hospital environment. I made purchases through my existing Chinese contacts. After that, Hypcom Oy began to increasingly receive inquiries over a short time period from different industries, which includes only LED lighting. TJ-Tech was established to take care of these increasing orders. Hypcom Oy externalize all lighting related inquiries and orders to TJ-Tech. That includes the customer care of previous customers and taking care of their future orders.

With knowledge of the increasing inquiries and a number of larger orders, I focused on locating an ideal supplier partner for TJ-Tech.

The original goal of TJ-Tech was to take care of Hypcom Oy lighting related orders, however, over time our customer database has increased steadily and the goals have changed on the way. The goal is now to offer a first-rate LED lighting service to all industrial companies in Finland, at a competitive price.

5.2 Logo design and website

After our business began to increase and we received more clients and business partners, I started to design the company logo, catalogue and business cards. The creation of company website was delegated to a professional website designer.

I made the company logo by using Adobe software. The logo is designed in Adobe Photoshop and then changed to vector graphics in Adobe illustrator, after which the logo can be used in various situations without losing graphic quality when stretching it.

The logo for TJ-Tech LED Professionals. The text "TJ-Tech" is in a large, bold, black, italicized sans-serif font. A horizontal blue line is positioned directly beneath the "TJ-Tech" text. Below the blue line, the text "LED Professionals" is written in a smaller, bold, black, italicized sans-serif font.

Figure 5. Company logo 2016. Jarkko Toijanen

When creating a catalogue, I used Adobe illustrator to make the catalogue base (front and back side). Then linings for the middle section were created which are easily modified when updating the catalogue for new products (the catalogue is updated and checked every quarter). For updating the catalogue prices, I use excel ready calculated formulas, such as a VAT 0% price indicator. For a new collection of products which come to our stock, I modify them first in Adobe Photoshop, after which I use Adobe Bridge to transfer ready images to Adobe illustrator. For catalogue printing, we have the use of a Konica Minolta professional printer.

The company website was created in summer 2016 (<http://www.tj-tech.fi>) and it will be updated frequently.



Figure 6. TJ-Tech website. [https:// www.tj-tech.fi](https://www.tj-tech.fi)

5.3 Product research

In our project, the product research starts in Finland when I receive information about required items. For example, one of the items in the first orders need to fill the following specs: Industrial high bay light, at least 50w (watts), luminous at least 5000lm (luminosity), working temperature between -30°C - 30°C, colour warm white, need to have an IP rating 65 or above, need to comply at least certificates CE & RoHS.

With the given information, I began research on the Internet. There are various options for b2b purchases and definitely one of the best is Alibaba.com. The Alibaba website is part of the Alibaba group holding limited (China). Alibaba is the world largest e-commerce company with transactions of 248 billion dollars in 2014.

The website is easy to navigate and the search tools are extensive. A product search can start without registering a company profile, but if one desires more accurate

results to be shown right away, it is recommended to create a basic profile at the start.

Searching for products is relatively easy, by typing the product name or even just the category, you will be provided with various options to customize your search. By cross checking that the seller is a gold supplier, you can make sure that all the necessary background checks have been made with the supplier to avoid any kind of scam. Gold supplier level owned companies have an onsite check by a third party and their financial balance is confirmed by financial institutions.

When the basic options for a search is ready, the focus can then be placed on the main things which effect the factory choice. Company details, such as how long they have been in business, annual turnover, how many business transactions followed by Alibaba are sold, how many years have they been a gold supplier, their location, how many references and their overall look.

Then actual product, where the price is a key factor, along with the detailed quality. Something about the product quality can be assumed by what LED light source (LED chip) and LED driver the factory are using. There are a few market leaders in LED light sources which have dominated and then there are the factories' own modified models, which are relatively cheap compared to market leader options. Then follows body type IP rating and certification, and this is just the search field result page. If everything matches, then by clicking the product name, one is directed to the company Alibaba website. There will be detailed information regarding the product and the factory. Larger factories have sale representatives 24/7 ready for live chats, and they will answer any question you may have regarding doing business with them.

One can also post buying requests on the Alibaba website. Basically, you just write down product specs and quantities, this quotation goes to all potential factories in the region that has been selected. After that, company sales representatives will send email regarding what has been detailed to the buying request.

In the TJ-Tech case, because the orders are for bulky quantities, I personally made factory visits to China to a few of the best options that I have researched and contacted via the Alibaba website. When dealing with a new supplier and looking for a long term business relationship, it is worthwhile carrying out an onsite check of potential suppliers. One can then negotiate the best price and check factory facilities onsite. This helps things go smoothly and also avoid QC costs, by doing it by oneself. Potential factories are keen to invite potential buyers to the factory facilities and show them around. If this is not the case, I would recommend to avoid carrying out business with these kind of suppliers.



Figure 7. Alibaba Group Logo. <http://www.alibaba.com/>

5.4 Visiting factories

After a research of potential factories, it will be time to visit them. When visiting factories on mainland China, the same routine will be noticed after a couple of visits. Normally, the first time when you contact a new factory, a factory driver will pick you up. At the factory, a sales manager will take over and show their facility, from the machines to packing areas.

Short meetings are usually followed by lunch on their tab (depends on the time). After lunch, there will be a long meeting with discussions concerning our interest

in carrying out business with them. The collection of all the necessary information at these meetings is essential, so comparisons can be made with other companies. The official part of factory meetings normally finish in a couple of hours and an unofficial meeting may continue over dinner or another activity.

TJ-Tech meetings followed the same routine at almost every factory visit in the mainland China area. Firstly, one can notice that every factory wants to make the best impression for their clients, it does not matter to them whether the clients are big or small buyers, but they know that their competitors will do their best to please any potential clients as well. There are thousands of the same category factories in the Guangdong province.

I stayed in Shenzhen during my living/visiting in China, which is around a 1h drive from Dongguan. Dongguan is one of the most important industrial cities in south China. It is located between Shenzhen and Guangzhou.

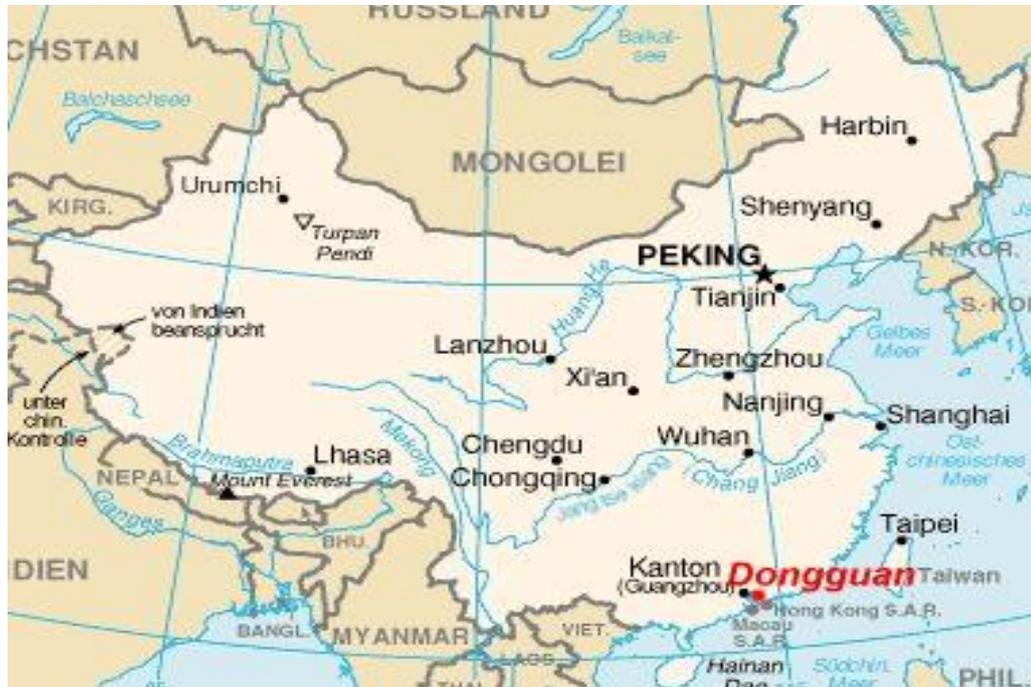


Figure 8. Dongguan map. <http://www.globalsourcingblog.org/china-manufacture-human-vs-robot/>

It is usually worthwhile having a Chinese interpreter with you when visiting suppliers, although almost all factories have professional English speaking sales persons. I chose an interpreter with an understanding of the products I am looking for, in this case, industrial LED lights.

It was my third factory visit when I made my first order. So far, I have ordered a couple of shipments from them and have established a co-operation business relationship. We were satisfied with their product quality and, maybe the most important aspect when dealing with Chinese factories, the communication and understanding is at the same level. It is also essential to continue QC (quality control) in every order to avoid complications. I personally valued QC to be the most important part of the buying process. The quicker we notice quality problems or other problems, the more time there is to fix them on site. Rather than open a high value shipment in Finland- only to find out bad quality products or some other major problems.

5.5 Fairs and expositions

China Import and Export Fair, also known as the Canton Fair, is held in Guangzhou every spring and autumn.

“With a history of 57 years- since 1957. The Fair is a comprehensive one with the longest history, the highest level, the largest scale, the most complete variety of exhibits, the broadest distribution of overseas buyers and the greatest business turnover in China.”(Canton Fair 2016)

Canton Fair attracts more than 24,000 of China's best foreign trade companies with good credibility and sound financial capabilities, and 500 overseas companies to participate in the Fair.

Canton Fair is mainly a platform for import and export, with various and flexible patterns of trade. Beside a traditional way of negotiating against samples, the Fair holds Canton Fair Online. Various types of business activities, such as economic and technical cooperation's and exchanges, commodity inspections, insurance, transportation, advertising, consultation, etc., are also carried out in flexible ways. Business people from all over the world are gathering in Guangzhou, exchanging business information and developing friendship. (Canton Fair 2016)



Figure 9. Canton Fair. <https://www.examinechina.com/blog/how-to-register-at-canton-fair/>

The fairs are slightly different every year, but, overall, each fair follows the same routine. There are three phases every fair. Every phase lasts four days. I have only participated in Phase1, because lighting equipment are showed then. The following table is from spring fair 2016.

Phase 1	Phase2	Phase3
Electronics & Household Electrical Appliances	Consumer goods	Medicines, Medical Devices and health products
Lighting Equipment	Gifts	Office supplies
Vehicles & Spare Parts	House decoration	Textiles & Garments
Machinery		Shoes
Hardware & Tools		Food
Building Materials		International Pavilion
Energy Resources		
International Pavilion		
Chemical products		

Table 2. Timetable of the Canton Fair spring 2016.

So far, I have attended the fair four times during my stay in China, three of these times representing TJ-Tech. There are numerous possibilities for foreign companies to find ideal business partners and see what new is coming to markets.

At first, they will register the company representatives and give a photo badge which indicates whether you are a seller or buyer, this same badge will also be valid for fairs after the first one. In addition, registered companies will receive an invitation letter every year to join the current fair.



Figure 10. Canton Fair official logo. <http://www.cantonfair.org.cn/en/>

5.6 Logistics and forwarding

TJ-Tech use various logistics methods, sometimes using forwarding companies is much cheaper than trying to handle all by oneself. Chinese factory prices are normally ex-works prices on smaller orders, where forwarding is left to the buyer. There are various forwarding companies in China, factories have good connections to them and they can offer relatively cheap options for forwarding. In many cases, Chinese forwarding is cheaper and more cost effective than a Finnish or European equivalent, but it is important to check their insurance policy and schedules carefully, even though they may be using the same incoterms (incoterms 2010).

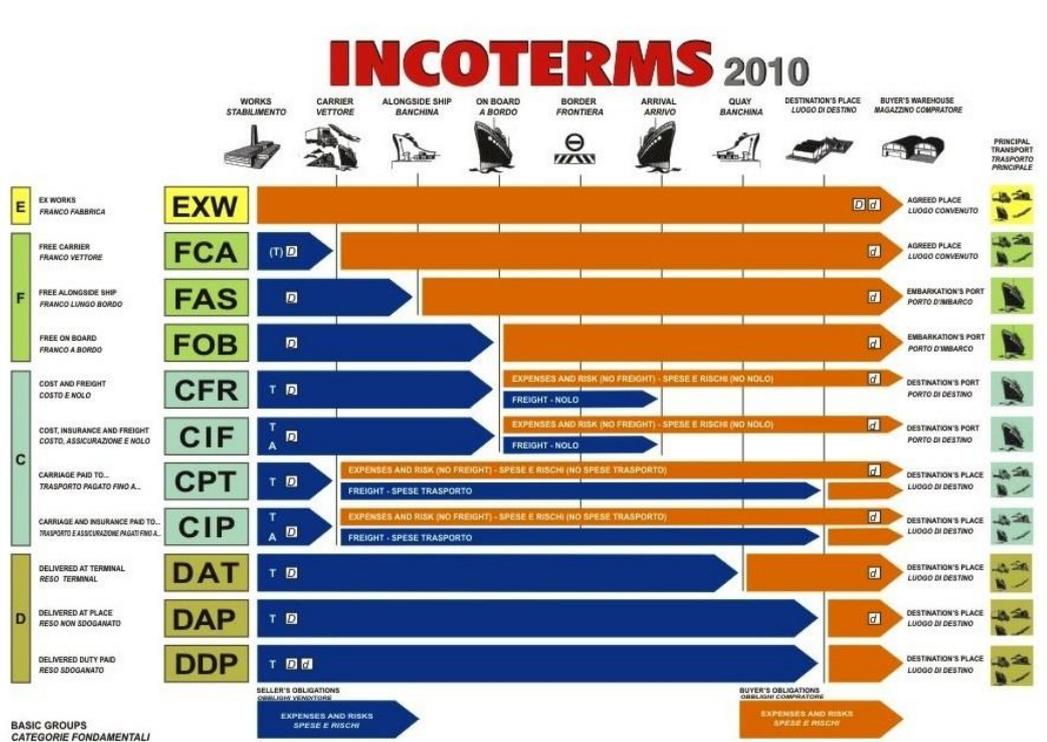


Figure 11. Incoterms 2010. <http://www.portofadria.me/#!/incoterms-eng/ckr2>

The fastest transport method is Air freight, which can be 2-5 working days from China to Finland, depending on the holding time at airport customs. The normal price is around 4-5 USD € / kg.

The most widely used method is sea freight. The normal sea freight time from southern-China to mid-Europe is 40-60 days, the price changes varies according to the world economic situation, and the average price is 125 USD per cubic.

The cost difference between sea freight and air freight depends on what the cargo is. Where the sea freight price is calculated by capacity and by volume, air freight is calculated by weight.

Chargeable weight is calculated based on the dimensional factor of 6,000 cbm per kg ~ 166.67 kg / cbm.

For example, cargo including LED lighting units is 1000 kg / 1 cbm , sea freight will cost 125 USD based on 1 cbm price, where the air freight price is 4,5 USD per kg, which will, in this case, total 4500 USD. It's 36 times more expensive than sea freight. When the cargo is LED lampshades at a weight of only 100 kg, sea freight would still be 125 USD per cbm, but the air freight price drops to 450 USD. The example figures are from 2015 and are only indicative.

Sea freight is the best option for large heavy cargo when time is not a critical factor. Air freight is suitable for smaller and lighter cargo, especially when time is an essential factor.

The newest comer to China-Finland transport logistics is China rail express. They have a terminal in Zhengzhou, which is located in Henan Province in east-central China. This new express route takes 20 days to the final terminal in Helsinki Finland. China rail express promote their service as all-inclusive door-to-door

service, including all logistic and forwarding fees and no hidden costs. They say, that it is three times faster than LCL (Less-than-container load) sea freight and three times cheaper than air freight. (prostarlog.fi 2016)

5.7 Future Plans

TJ-Tech is a relatively young company and there are many paths in which this company can develop. TJ-Tech's short term future plan is to retain good connection to existing customers and to moderately expand business. Keeping the product category mainly focused on industrial lighting, we will ensure that we can offer the best service to our current clients. Competition in this field will increase dramatically in the near future and the supply of the Internet has grown tremendously over the past few years. I still strongly believe in TJ-Tech's future. We will not beat the biggest players in the field, but we have our own small customer base, who constantly make orders for their new projects.

There are many aspects to follow when thinking about China's markets. China's economic situation may change rapidly, one way or another. This can be good or bad, but any change to the current situation may have a negative effect on the TJ-Tech import business. Things are now steady (have been for a couple of years), but changes may bring extra expenses/complications and it is always time to adapt new practices.

There are also several other threats: trade embargoes against China is one of them. It's unlikely to happen in the near future, but if it does, the TJ-Tech business will die on the spot, because we have not, so far, looked for backup suppliers from other countries. The search for new suppliers from other countries is part of the long term

plan, which will decrease the risk, if something radical should happen in China. Meanwhile, focusing on ongoing business and trying to keep the current situation as stable as possible, is the main intention.

The Led industry future seems bright at the moment. Incandescent bulb light was banned in the EU in 2015, forcing companies and cities step by step to move on to the LED era. Now led technology is at such a performance and price level that companies and cities are ready to invest in them, as a long term investment. This is not only good for TJ-Tech, but it's also good for the entire sector who work in the LED field.

6. CONCLUSION

The aim of this project was to establish a functional import network from China to Finland. These two countries have very different style of business culture, so it is highly important to understand these differences and working customs. My stay in China was essential to this project, to achieve the targets that have been made and gain an understanding of Chinese culture. Learning basic Chinese before travelling is recommended, but not necessary. I learned that the hard way, but that issue has been taken care of, it helps a lot and opens up new possibilities to communicate with them in their own language.

Most of this thesis is based on my own empirical experience in China. There were many challenges when prepared to work there, because I did not have any idea what to expect. Luckily, I have a few good contact persons there, who introduced me to other entrepreneurs in the Shenzhen area. Spending spare time with them and planning business possibilities, I learned a great deal of invaluable information about Chinese business, what I simply couldn't learn anywhere else. With the help of this contact network, it was little bit easier to start doing business in China.

Working abroad and adapting to the Chinese style of living is one thing, it is not for everyone, but for me it is suitable.

TJ-Tech will continue its path confidently towards the future. The led industry is overall booming now and China is the number 1 supplier for this at the moment, and it is not going to change over the next few years. These days, China offers many possibilities to new business ideas, although some economic experts says that China's golden time has already past and economic crises are ahead.

7. LIST OF APPENDICES

7.1 Books

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