Technology analysis

Firstly on the technological front, of the 21st century China had closed down the gap in high technology researching and development with other advanced nations. China's scientific research system is a cooperative one, comprising of the Chinese Academy of Sciences (CAS), schools of higher learning, industrial departments, national defense departments and local scientific research institutes. The Beijing-based CAS is China's highest academic institute and comprehensive research center in natural sciences (China.org.cn).

Furthermore, thousands of high tech development zones and infrastructure had been constructed all across 53 states in china where some of them currently had been put into operation (China.org.cn). Those zones are the engines of china's domestic market growth that stimulate several billion Yuan per annum which currently accounts for half of it's domestic production.

In addition, the emergence of China as the world power house, Chinese government has contributed toward development by injecting 1.5% of GDP toward R&D development (Scidev 2010). The Chinese government has come up with a system that provides incentive or reward for technology development (Euromonitor 2011). The government has changed its national strategies to independent innovation instead of follow the footstep of other advance nation.

Finally Spin Master knob is known as an innovation product, which is greatly in demand in china for disable this will allow chinese firm to leapfrog western suppliers and use the licenses to go straight to the manufacturing stage.

1. http://www.scidev.net/en/news/china-surges-india-lags-in-r-d-spending.html
2. http://www.portal.euromonitor.com.ezproxy.lib.uts.edu.au/Portal/DocumentView.aspx
3. http://english.gov.cn/2006-02/09/content_184084.htm
4. http://english.gov.cn/chinatoday/gov_si.htm

MARKET ENTRY VIA DIRECT CHANNELS IN CHINA

An alternative to selling to China via a Hong Kong distributor is to sell directly to an authorized foreign trade group or an end-user group located in China. Decentralization and reforms have led to the growth of a variety of direct entry points for a foreign exporter. Direct sellers today must decide whether to try and work with -- 1) Chinese foreign trading corporations (FTCs) 2) industrial trading corporations (ITCs), 3) independent entrepreneurial third party trading companies, 4) domestic end-users or 5) domestic Chinese distribution companies. In deciding which one, or combination of the above groups to work with, foreign manufacturers must understand the current formal trade structure in China, the history of each trading entity, the background of the key individuals who manage these groups, and the advantages and disadvantages of each alternative.

1. Foreign Trading Corporations (FTCs)

FTCs were the first groups established (in the early 1980s) by the Chinese government to assist the domestic Chinese companies with foreign trading. FTCs can be quite large (yearly turnover of approximately $25-$750 million), are often involved with multiple product lines and have both central as well as provincial offices. Today, these groups primarily focus on exports (which usually accounts for about 90% of their turnover, but these groups are also increasing their efforts for needed imports. Historically, FTCs have played a major role in importing commodities into China.

The advantage of using an FTC is that you have the convenience of working with one, authorized, experienced, organization that has an established infrastructure to deal with foreign trade. These groups normally have foreign exchange allocations and are very familiar with foreign trade issues including letters of credit, freight logistics, etc. While national FTCs are rarely the ultimate buyer of your products, they can contact other provincial or local FTCs, domestic distributors and end-users who may want to buy your products. The disadvantage of working with national FTCs is that most of these groups are not knowledgeable about your specific product area, and oftentimes function as "order takers" for end users, and they may not be very interested in actively marketing your products.

2. Industrial Trading Companies (ITCs)

ITCs are usually newer and smaller than FTCs. ITCs are administered by various industrial ministries and bureaus (i.e. mining, chemical and pharmaceutical). In most cases, because of their industry focus, ITCs have a good understanding and knowledge of the products they are trading. On the other hand, unlike FTCs, ITCs are normally limited to their geographic focus (1 or 2 provinces is common), and although they are experienced, they are often relatively new to the foreign trade game.

3. Independent Trading Companies
Over the last few years, a number of smaller independent trading companies have been established to handle foreign trade. These groups, normally subsidiaries of government trading companies or private companies, may have a keener financial interest than FTCs or ITCs in aggressively marketing your product. They tend to have more motivated entrepreneurial staff members and oftentimes can move more quickly than FTCs or ITCs. The disadvantage of working with this type of company is that in some instances, Independent Trading Companies may not be authorized to engage in foreign trade and therefore will need to link up with an authorized foreign trade company. In addition, given the small size and newness of these groups, the strength and success of these groups may depend on one key individual. Thus each group must be analyzed carefully and separately.

4. Direct End-User Sales
Directly approaching potential end user customers for your products is the most direct way to sell your products and to get good market feedback. While a few of the large end-users are authorized and are already dealing with foreign companies, the vast majority of end-users are not authorized to trade directly with foreign companies, do not have adequate foreign exchange and/or do not have purchasing decision responsibilities. Today, most end users can only legally consummate foreign purchases with assistance from FTCs, ITCs or authorized independent trading companies. In the future, however, it is expected that more end-users will be authorized to deal with foreign companies without the assistance of FTCs, ITCs or authorized independent independent trading companies. If a foreign firm wants to regularly make direct sales calls on a number of end-user customers, it should consider building its own sales force with representative offices in China.

5. Direct Sales to Domestic Chinese Distributors
Officially, it is not legal for foreigners to sell directly to domestic Chinese distributors without the domestic distributors utilizing the assistance of FTCs, ITCs or Authorized Independent Trading Companies. In practice, however, foreign companies may contact domestic Chinese distributors, or Chinese distributors may contact foreign manufacturers directly to sell/buy products. By going to the distributor first before contacting an ITC or FTC, the foreign manufacturer will probably get more market feedback and better pricing since the middle man is eliminated. While most domestic Chinese distributors still look for new products to be introduced by an FTC or ITC, over the last few years some domestic Chinese distributors have begun to aggresively search for products directly on their own.

6. Market Entry via Direct Channels Versus use of a Hong Kong Distributor
While entering China via one or more of the direct Channels just described will have some of the same problems as market entry via a Hong Kong distributor (i.e., you will probably still encounter problems with tariffs/quotas,

servicing your products, collection and payment delays), there are a number of real advantages to developing your own direct channels. First, by establishing direct channels, you eliminate the middleman and the associated mark-up of your product. For products that are price sensitive, a reduced price should allow you to increase your sales and further penetrate the market. Second, by eliminating the middleman, you will be closer to your customers needs and concerns. Third, if you carefully analyze where your products are going through direct channels, you will have better knowledge, and hopefully control over which parts of China are covered and which parts are not covered. Many foreign manufacturers who sell to China via Hong Kong distributors have little knowledge of who or where the ultimate end-users in China are, or how price sensitive their products really are in the marketplace.

Developing direct channels into China, however, will be more difficult (i.e. logistically) and time-consuming than hiring a Hong Kong distributor to enter the China market on your behalf. Determining the appropriate FTC, ITC, independent trading company, or end-user with which to develop a relationship will require research. Once the appropriate groups are identified, meaningful and trustworthy relationships will take time to develop. In addition, a firm that develops direct channels may also have to determine a separate strategy to build its own service, maintenance and repair network. In short, while it may require more time and effort, developing direct channels to enter China will often be a better strategy than simply hiring a Hong Kong distributor to cover China.

Strength	**Opportunity**
● The most recommended vehicle modifiers for disabilities in Australia ● Well recognised in the global markets with quality product in demand ● Provides newest technology from UK, Germany, Italy and US ● Cost of human capital ● Tax incentive to foreign investor ● Innovation/efficiency of the product ● Offers a wide range of product	● Average GDP growth in Beijing is 9- 10% per annum ● Unexploded opportunity in that sectors provide opportunity to take advantage in that niche markets ● Beijing is the largest market in China and it is still expanding ● The increasing of disposable income of the emerging Chinese middle-class ● Large amount of Government spending toward R&D innovation which might provide PME with benefits in the future ● Absent of strong establish competitors in Beijing
Weakness	**Threats**
● Lack of local expertise/knowledge in Beijing ● Clash of culture ● Availability of IT and network for distribution ● Difficulty in finding suitable distribution channel in rural ● Lack of international market exposure in Asia market	● Intellectual property ● Theft ● Copyright ● Changes in government regulation ● Small number of importers