

GoToLaunch GUIDES

present

IMPORT/EXPORT

guide to

SOUTH KOREA, CHINA
& VIETNAM



GoToLaunch

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PREFACE

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In the world of manufacturing and resale of goods, Asia is the reigning, quintessential hub for the import-export business. As we know, Asia produces and consumes vast amounts of specialty and commodity products, with a big focus on textiles, electronics, and industry-related goods.

For the entrepreneur, experienced or aspiring, leveraging Asia's best product opportunities requires extensive research into market opportunities, informed evaluation of and negotiations with suppliers, and savvy relationship building afterwards for the life of the business. These require the entrepreneur to understand the nuances of cultural differences between the East and West.

Like in any business, there is no formula for success, but there are recognizable patterns observed in the ventures that do establish themselves and grow. This book has been written with the intention to discuss these principles and place them into the appropriate cultural context, with the guidance of experts in trade, logistics, culture, law, and negotiation. As we share these patterns of success and tactical roadmaps of implementation, readers can expect to begin from having zero product ideas to establishing the first stock of inventory with a supplier.

OUR RESEARCH PROCESS

The advice in this book is a result of 400 interviews of entrepreneurs and experts across 16 countries conducted over the course of 3 years. The experts interviewed for this book are intimately familiar with the principles of conducting business in Asia, some of whom have built multi-million dollar businesses by leveraging international supply and demand channels.

As a part of Derek Sivers' Wood Egg [<http://woodegg.com>] project, the research is intended to expose the incredible opportunities in Asia to globally minded entrepreneurs from the West.

A select portion of the research is available for free at our website, GoToLaunch [<http://gotolaunch.in>] in the form of interviews and written summaries, while the culture-rich Wood Egg [<http://woodegg.com>] guides continue to serve those interested in the culture, lifestyles, and anthropology behind Asia's growing markets.

WHY CHINA, VIETNAM, AND SOUTH KOREA?

After exhaustive research on the opportunities and challenges of businesses importing from Asia, we recommend the following three countries:

China is the world's largest manufacturing hub and remains the leading provider of products by volume, in almost every vertical. Contrary to popular belief, the country has managed to meet and exceed the world's highest quality standards in most verticals.

South Korea is a global leader in high-end branded exports, especially of technical products, with some of the world's best customer service.

Vietnam continues to play an important role in the textile and raw or near-finished goods markets, competing aggressively on labor costs.

Author's Note: Some parts of the book will be focused on China more than Vietnam or South Korea, for several reasons. China has been the chief cultural exporter for all of Asia for several centuries. As a result, Chinese culture, history, and systems have been woven into the institutions, businesses, and people of South Korea and Vietnam. More than history alone, the size of the import-export market is so large and competitive in China that the likelihood of any given ecommerce entrepreneur working with the Mainland is relatively high compared to Vietnam or South Korea.

We see large opportunities in international trade flowing both into and out of Asia. While this book provides a high-level introduction to Asian socioeconomics and psychology, the business focus is on Western entrepreneurs whose aim is to source products from Asia to be distributed in their home countries. Western entrepreneurs importing from Asia will find ample opportunities in the home market with which they are deeply familiar and will have access to the sophisticated trade management tools and strategies of entrepreneurs who have come before them.

OVERVIEW: WHAT TO EXPECT

In this book, we provide the necessary strategies and detailed roadmaps in the following chapters:

1. The Import-Export Business
2. Opportunity Overview of China, Vietnam, and South Korea
3. Tactical Guide for Market & Product Selection
4. Tactical Guide for Supplier Selection
5. Resource Guide for Ordering, Receiving, Sales & Beyond
6. Culture Primer for Asia
7. Culture Guide for Negotiation

The Import-Export Business - This primer to international trade introduces the common business models relevant to entrepreneurs selling physical goods. We cover the most important strategies for picking the right market, creating or sourcing the best product, and building a mutually beneficial supplier relationship.

Opportunity Overview - This section provides the reader with a cultural foundation of each export hub contextualized from 2000 years of historical, economic, and societal development. We then hone in on recent and expected trends from which forward-looking entrepreneurs can capture huge value.

Tactical Guides - As the name suggests, we provide specific techniques for using internet tools throughout the process of selecting a market, product, and supplier. While popular internet tools and tactics tend to change as frequently as the seasons, the general principles of product and supplier selection can be gleaned from the guides.

Resource Guide - The reader is provided with an overview of the process of bringing a product to market following supplier selection, including: industry-specific terminology for negotiating an order, the logistics of order shipping and receiving, to making sales and fulfilling customer orders. Due to the complexity of each step involved and unique requirements for each product and country, a detailed tactical guide would be beyond the scope of this book. Instead, we introduce readers to the basic requirements and selection of resources available to begin managing all aforementioned aspects.

Culture Primer - As we expect most readers to be concerned with business in China, with a relative minority focusing on South Korea and Vietnam, the emphasis on life and culture in each country has been placed accordingly.

Culture Guide for Negotiation - While there are certain differences in negotiation style across the three countries, this book will focus the majority of analysis in this book converges on China and makes distinctions for Vietnam and South Korea in cases they exist.

HOW TO USE THIS BOOK

Although we assume readers have basic marketing and sales experience, the guide is written such that even the first-time entrepreneur can follow along.

Experienced entrepreneurs from industries outside of e-commerce and import-export would likely benefit most from reading “The Import-Export Business”, “Opportunities Overview”, and “Strategy Guide for Communication and Negotiation”.

Meanwhile, owners of a pre-existing business sourcing products from or to Asia would likely benefit most from “Culture Primer for Asia”, and both “Tactical Guides” for review of tools and techniques that may not have been previously available at the entrepreneur’s disposal.

THE IMPORT-EXPORT BUSINESS

THE BIG PICTURE

The process of building an import/export business may feel conceptually familiar to most entrepreneurs with experience in other industries. In general, it involves market analysis, customer and product research, partner outreach, marketing campaigns, and sales reviews.

Patience is a virtue for entrepreneurs with limited starting capital, while those with more of the latter can afford to have less of the former. For example, for eCommerce businesses, it typically take 3-6 months at minimum to reach consistent traffic of prospective customers when using inbound marketing (e.g. blogging, search engine optimization) to attract visitors organically. Alternatively, progress can be accelerated with the investment of 3- to 4-figures in paid marketing channels (e.g. advertising on Google, Facebook, Twitter, LinkedIn). In any case, experimentation with a clear goal will usually yield results for the business owner who makes a consistent effort.

After achieving “break-even” revenues, intangible aspects begin to play a key role in the long-term success of the business. Experienced business owners know that, if there is any “magic bullet” for success in eCommerce or any other business, it is the value added beyond the product itself: strong relationships with product suppliers, marketing partners, and vocal customers.

COMMON TYPES OF IMPORT-EXPORT BUSINESSES

There are various business models to pursue in international trade, differing by level of potential risk and reward.

Drop Shipping

To run an eCommerce business without managing inventory and storage, an entrepreneur can use drop shipping. Instead of stocking inventory, the entrepreneur sells goods on an independent website, using inventory from a partner supplier. The customer purchases goods at retail prices, the entrepreneur purchases the goods at wholesale cost, the partner supplier ships directly to the customer. Through this process, the entrepreneur profits from bulk discounts offered by the supplier. Savvy drop shippers increase their chances of becoming profitable by selecting an underserved niche, investing in marketing to a customer base, and eventually

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creating a valuable asset in the form of their profitable store that can be sold outright, or automated to run without the day-to-day involvement of the founder.

Custom Products

Creating original products or making significant modifications to an existing product allows the business owner to differentiate themselves in the market. Whether the product is a box of luxury toothpicks or a new fragrance, a custom product business will demand more time in product design and manufacturer evaluation. Complex electronics like smart-watches or battery packs require collaboration with designers, manufacturers, and fundraising in order to make the product vision a reality. Doing this without prior experience in physical product development is a challenge, but if the venture is successful, it will often be protected with a patent for exclusive revenues.

High-Volume Sourcing

When sourcing anything from raw materials to electronics, textiles, or other commodities, margins are created from the shipment of large quantities of product out of Asia via ocean freight. Due to the majority of profit coming from bulk discounts, starting costs and legal liability are higher in high-volume importing than those associated with other types of import-export businesses. However, once the business is established, such a business earns higher profit margins than a typical drop shipping business, due to higher defensibility against competition.

Importing into Asia

Consumer demand and buying power in China, Vietnam, and South Korea have grown since the mid-1990s, with the Chinese market becoming especially lucrative for importers of specific goods driven by increased quality of life. A less frequently utilized opportunity is to market foreign goods to Asian consumers, rather than export products from these countries and sell them to the Western market. Especially in demand are luxury spirits and desserts, Western snack foods, fashion and beauty products, home goods, and other products associated with increased quality of life.

Author's Note: Importing into Asia comes with unique risks. Logistics, customs, legal barriers, duties, and trading partnerships are vastly different from the processes for exporting from Asia described in this book. While we will discuss growing consumer demands in Asia in further sections, we refrain from providing specific recommendations for bringing foreign products into Asia and marketing to Asian consumers, as it is beyond the scope of this book. For those interested in pursuing

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opportunities in the Asia market, we advise learning from experienced local importers and working with local partners with first-hand experience of market demands.

THE RIGHT CUSTOMER MARKET

“Understand the customer” is frequently echoed as the most basic principle in entrepreneurship, and for good reason, because even the most experienced entrepreneurs sometimes fail to consider the following before deciding to sell a product:

- Does the product solve a problem?
- Does the customer already recognize the problem as a “problem” and care enough about it to pursue solutions?
- Does the customer see the product as a plausible solution to the problem?
- Is the customer both able and willing to pay for such a product?

In other words, prospective customers must be aware of, interested in, and able to buy the product offered. High end television sets might interest many college freshmen, for example, but few would be able to afford such expensive goods.

Considering the above, who would make a good customer?

If the aim is a low-complexity, high-margin business, the best customers can be directly reached online, who are accustomed to internet shopping, with large disposable incomes, who are not likely to make many returns, who don't expect a concierge level of service, and to whom you can offer value as an expert on the subject.

Of course, it's easy to simply state the ideal scenario, but more challenging to grasp the specifics in a real-life market. For that reason, included are examples of existing trends.

Business-to-Consumer

When selling goods in Western countries, the most lucrative and accessible buyers will be upper-middle class consumers with household incomes of over 120,000 USD. Customers between ages 26-42 in the entrepreneur's home market will be a strong place to start.

Consumer research shows that, in general, female shoppers tend to make smaller, and more frequent, purchases, while males tend to make larger, less frequent purchases.

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Consumers who are passionately involved in expensive hobbies can become lifelong fans of a business that offers the right train set models, vintage vehicle parts, pet care goods, or medieval replica weaponry.

Business-to-Business

Alternatively, government organizations and small businesses may be willing to purchase industry-specific products. For industry outsiders, securing an agreement in the business-to-business or business-to-government context is often more difficult than attracting customers in a business-to-consumer venture, and requires more tailored service and content.

However, this option can be promising for business owners with existing connections to relevant decision makers, as opportunities to establish repeat purchases become available with trust over time. This is due to the distance between buyer and vendor in large organizations, and high switching costs once a vendor is the buyer's established supplier.

Regardless of customer type, it's important to understand:

- market size
- market demographics
- perceived problems
- buying habits
- ability to afford the product
- proximity to other potential customers

Each will affect buying habits, profit margin, and required services.

THE RIGHT PRODUCT

Repeatable Purchases

A customer is most difficult to acquire...the first time. Once a purchase is made, a positively satisfactory experience with the product and customer service will increase customers' trust in the company and encourage subsequent purchases. If the product is consumable (e.g. vitamin supplements) or disposable (e.g. paper cups), the entrepreneur can focus growing a customer base of repeat buyers, instead of constantly seeking to turn prospective leads into first-time customers.

High-Margin Goods

Margins on products (whether drop shipped, imported, or custom-made) always depend on the cost of manufacturing and shipping. Therefore, the ideal product is small in size (for low shipping and packaging costs), and significantly less costly to manufacture than a reasonable retail price. Design-focused items like apparel, jewelry, and art are illustrative examples. Processing costs tend to be the same price regardless of product cost.

In business-to-consumer ventures, products with a retail price between 75-200 USD are recommended. This price point creates healthy margins and steady sales volumes, while curbing expectations for concierge-level service. Drop-shipping companies usually target 20% profit from the sale of goods, but the ideal would be 50% or more. This price point also promotes growth: making the purchase financially feasible for a large consumer market allows for “word-of-mouth” growth. Customers share the product experience with friends and leave product reviews, exponentially growing the customer base.

High-Volume Goods

When shipping commodity products in large volumes, the entrepreneur can benefit from unit costs that decrease stepwise at certain order quantities. The unit cost discounts can usually be found at every few thousand units, such as 5,000 units, or 10,000 units.

Proper Market Positioning

Creating a viable e-commerce business begins with a well-chosen product, supported by a deliberate marketing strategy, and is sustained long-term with a respected brand that attracts customers.

Researching the competition is part of the initial plan to understand the market, but isn't limited to analyzing vendors selling similar products. Rather, who else is providing the target customer a solution to their problems? If the problem is home flooring, a company selling Persian rugs might be competing against distributors of hardwood flooring, animal pelts, and home carpet installation services. In most cases, having a “marketable” product means having defensibility against products or services that might compete against the chosen product.

Thinking long term: Does the target customer have a loyalty to their brand like some mothers do to Pampers? Are they simply looking for the most efficient and functional solution to a problem? Or are they attracted to the tasteful aesthetics of the product?

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It is difficult to attract brand-loyal buyers to a new brand: products with strong brands competing for market share have saturated all sales channels, from online to “brick-and mortar” stores, and their regular customers are tough to convert.

As a rule of thumb, the entrepreneur is advised against selling products stocked in local stores. If the product is sold at a department store (e.g. Walmart), lower risks by exploring a smaller niche. Instead of backpacks, consider lightweight travel backpacks for frequent travelers, or a daily baby bag for urban dads. Or, if a product is difficult to find locally, then it could already be in a small niche, in which case there may be an opportunity worth of further research on the internet.

Besides narrowing focus to a specific product vertical, offering unique aesthetics or a curated full-package solution for a smaller segment of buyers can be effective methods to selling products in “mainstream” markets.

Other Differentiators

For all types of product businesses (and especially drop-shippers), the winning differentiator is usually not price, but rather more intangible: trust, authority, careful curation of products, or a surprising pleasant shopping experience. For example, businesses selling products that are difficult to select and use (e.g. a bathroom TV mirror, which requires specialized knowledge on installation and compatible models for one’s home) can attract buyers through a series of online video tutorials or blog posts educating consumers on product selection, and through the trust and authority established, charge a premium for its products.

THE RIGHT SUPPLIER

Forming a long-term partnership with the right supplier is a key decision that affects all aspects of the import-export business. The suppliers can become powerful allies and friends throughout the years an entrepreneur is in business, and potentially offer more competitive pricing, improved customer service, and other rewards of a carefully cultivated business relationship.

In good times, a great supplier will be a trusted friend and adviser, sometimes pointing out new business opportunities or offering early access to newly stocked materials. In difficult times, they will help with challenges in customs or handle spikes in demand with calm and quick attentiveness. In Asia, loyalty, quality of goods, and trustworthiness are key components of the exports industry, and a supplier with all three is gold.

OPPORTUNITY OVERVIEW: CHINA

A PRIMER

China has led the world in art, science, and technology until the civil unrest of the early 20th century, during which political upheaval, invasion, and foreign occupation set the country back centuries in terms of economics and culture.

In the last 50 years, China has quickly moved up the value chain from low-cost labor and commodity manufacturing into high-tech research and development, specialized manufacturing, and rapid prototyping. Local business are in turn incentivized to rely more on local manufacturing, cutting out once lucrative US, EU, and Japanese partnerships. This has put China on the path to becoming the world's leading economy.

Rising Consumerism

In 2010, China became the world's largest exporter. In 2014, China-based Alibaba, Inc., the eCommerce platform, made the largest IPO in history. China is the biggest whale in exports, but as middle class demand and earnings continue growing, is also becoming one of the world's largest importers. The pace of urbanization is setting the trend for Chinese consumption.

As energy and labor costs have increased, the manufacturing sector has begun to serve Chinese customers rather than foreign exporters. Environmental standard improvements and the appreciation of the RMB mean China is no longer the low-cost leader - it cannot afford to be. Instead of depending on sales of products abroad, urban Chinese are buying enough goods locally to turn the Chinese economy on its head and make the nation gradually self-sustaining. Those who start serving this shift can win a sustained market position in China.

As the market has exploded and the lowest-hanging fruit like commodity apparel and phone cases have been picked through heavy saturation, small businesses are seeing success by pursuing consumer niches with repeatable business.

The Rift Between Urban and Rural Consumers

Urban and rural Chinese are worlds apart: buying habits, wages (320 USD per month in urban areas, versus 92 USD per month in rural areas), and quality of life differences make these two markets almost two different countries, each presenting different opportunities for importers. As of 2013, the urban population covered over 50% of the population, and is the driving force behind China's transformation into a consumer-driven economy.

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In first-tier cities, consumption of luxury goods is booming, driven in large part by desire for prestige. In 2014, it was predicted that, in the following 5 years, it's expected 50% of luxury goods in the world will be purchased by Chinese buyers. For new entrants with the capital for high marketing costs, products in the beauty, home, and luxury apparel verticals lead the charge. Almost every adult consumer in a large city in China uses a smartphone and 1 out of 3 women in China own a designer handbag. While members of the population of second and third-tier cities are less educated, their inhabitants are nonetheless aspiring to consume similar goods in the future. Furthermore, these second and third tier cities have been projected to contribute to the largest growth in China's buying power between 2015 and 2035, and beyond.

Compared to the urban population, the rural population is estimated to be 30-40 years behind in terms of access to technology infrastructure. Meanwhile, there is readily available access to personal electronics (especially mobile phones), home appliances, and farming equipment. The funds for - and decision to buy - these goods typically originate from members of the younger generation of native rural families, who move to cities to earn higher wages that financially support their inland-dwelling families.

Foreigners in China are also a unique market, but represent only an estimated 0.05% of the population and are further fragmented by lifestyle and location.

The Shadow Economy

Smartphones and purses fill the streets in cities like Beijing and Shanghai, but for those that can't afford the name brands or simply don't have a sharp enough eye, a gray market of clear fakes, off-brands, and aptly designed counterfeits of both physical and digital goods has created a second unregulated economy.

Android phones are made to look like iPhones at a quarter of the price, pirated movies stuff DVD stores shelves, and near-perfect replicas of high-end winter jackets can run for just USD 20. This results in two extreme buyer types: the value-seeking, counterfeit-loving lower-middle class and the paranoid, brand-obsessed upper class.

Wealthy paranoids have some of the most price-insensitive buying habits of any population in the world. Rich Chinese consumers will buy branded Western medicine at rates usually higher than Western retail prices. The same goes for apparel and

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technology products, some buyers even choosing to import iPhones originally produced in China from the United States to avoid any fakes - all at exorbitant cost.

Pirate vendors have adapted by raising prices to premium levels and shipping from international locations, giving the shadow economy a few more years of life.

For foreign brands and products, this is advantageous: products made in North America, Germany, France, Italy, and other areas historically recognized for craftsmanship attract especially large premiums. In general, most foreign goods hold an edge over locally produced goods when all other factors are equal.

Minefield of Risks

Risks in China are as plentiful as opportunities.

Health and Quality Scandals

A minority of manufacturers cutting corners on quality standards in food, children's products, and industrial equipment has created not only disastrous public relations scandals but also fluctuations in consumer demand. In the wake of the melamine milk scandal in infant formula of 2008, 11 countries banned dairy imports from China and a shadow trade of baby formula smuggling into China developed overnight, driven by the fear of protective wealthy Chinese parents. These mistakes destroy and create new industry leaders.

Food As Controversy

For a time in 2013, no meat in China was safe. A bird flu scare pointed to tainted poultry, an outbreak of disease decimated pork production, and fish products were showing dangerous levels of mercury, heavy metal deposits, and even radiation from a recent Japanese nuclear disaster. It was not a good time to be in the food business when 16,000 pigs were floating in the Shanghai river.

Business Negligence

Carelessness on larger scales has resulted in cement formed of salty sand that later corrodes metal supports in skyscrapers over years - responsible for collapsed buildings and poorly produced tracks that have derailed bullet trains.

Local vs. Foreign Standards

Foreigners targeting the local market should never compete on price locally. Every single link in the foreigner's supply chain will increase costs against a Chinese equal, even after a lifetime in China. To succeed, the foreigner could supply unique goods, have a foreign brand that is difficult to imitate, serve a niche in which he or she has a specialty, or simply opt to focus on exporting from China rather than importing.

Nationalism vs. Rationalism

Political disagreements often turn into populist-led economic storms. The Japanese-Chinese Diaoyu Island standoff led not only to a populist boycott of Japanese goods, but a destruction of Japanese cars, looting of Japanese businesses, and even violence. In decades past, American goods have experienced similar instances of consumer resistance.

TOP EXPORTS & IMPORTS

Key Exports: Lion's share of electronics, machinery, and apparel

China produces the majority of Asia's electronics, machinery, apparel, textiles, and integrated circuits. It also trades common metals, rare earth metals (required for high-tech products), coal, and petroleum.

These goods are commonly imported to Hong Kong (often for redistribution), the United States, Japan, and South Korea.

Key Imports: Technology, energy, medical, and raw materials

Electronics, machinery, oil and mineral fuels, nuclear reactor equipment, optical and medical equipment, metal ores, motor vehicles, and soybeans.

These goods are commonly sourced from South Korea, Japan, Taiwan, the United States, Australia, and Germany.

Agriculture

China's agriculture industry employs over 300 million farmers producing rice, wheat, potatoes, sorghum, peanuts, tea, millet, barley, cotton, oilseed, pork, and fish. It comprises 10% of China's GDP.

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China's land mass size is the 4th largest in the world, with over 11.5% of arable land for farming and over 1.5% of the land mass being used for permanent crops, primarily in eastern China. China produces food for 20% of the world's population.

The early 2000s increased demand within China for processed foods. This is comparable to the food technology boom the United States experienced during the 1990s, which shifted consumer preference and prestige towards packaged, processed, and well-marketed goods. This has created a boom in packaged-food producers that have formed direct connections from farm to consumers.

Raw Materials

China has large reserves of coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, rare earth elements, and uranium. China leads in processing many of these metals.

Industrial Goods

China both produces and consumes large volumes of agricultural and industrial machinery, armaments, fertilizers, and transport equipment such as motor vehicles (including both commercial and personal automobiles), ships, trains, aircraft, and even space-bound vehicles.

The industrial and construction sectors of China have a large capacity for chemicals (especially pesticides) and materials used in construction like cement, but these industries will be very difficult to enter without high-level connections.

Commercial Goods

China still holds a big role in textile and apparel production, though costs are higher compared to other countries like Vietnam, Indonesia, and Cambodia, making it more suited for the production of mid-line or high-end fashion products. Footwear is still a great match for China, which benefits from improved manufacturing practices over Southeast Asia countries.

The plastics manufacturing industry in China is both sophisticated and massive, causing China to dominate toy and "knick-knack" production. China's strength in plastics manufacturing is the driving force behind the proliferation of the phrase "Made in China" in the West. A mastery of metal and plastic in high volumes and complexities has also turned China into a hub for electronics production. Rarely are

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any mobile phones produced without at least some parts passing through southern China, especially Guangdong Province.

China manufactures both advanced electronics and commodity components. The coordination for producing both commonly involves two adjacent manufacturing plants, one producing simple widgets, and another producing sophisticated integrated electronics and processors. China's local high-tech firms like Qualcomm are setting the global industry standard for mobile phone processors. China is also competitive in the production of consumer products, including drones, 3D printers, connected devices, wearable technology, and pre-market prototypes.

Services

Second in value only to the US, China's service industry serves both domestic and international customers but is thought to be smaller than it should be for China's population. China's 2011 Trade in Services initiative has opened finance, logistics, education, and healthcare services to international competition in product imports and local services. With this initiative comes a lucrative opportunity in providing Western-quality services to globalized and foreign-educated Chinese locals, or in other words, "in-sourcing" to China rather than "outsourcing" from China.

In business, there is demand for services covering startup development, scientific innovation, "green" business, cross-border business operations, online commerce, and development of new local business models. Traditional business services like accounting, auditing, management consulting, standards certification, and market research are in demand and usually favoring of foreign providers.

In logistics, there is an overwhelming demand for a modernized, well-optimized, and cost-effective logistics system supported with data and optimized for the movement of people, goods, and information.

In technology, China demands high quality engineering, technical and scientific research, software development, information services and integration, digital security, digital content, and online value-add services provided by mobile apps and web software.

Meanwhile, some financial services, and most transport, tourism, and construction services remain a cut-throat battleground for primarily local players, often demanding strong political connections and offering little return on investment without scale.

REGULATED INDUSTRIES

Investments in “restricted” industries face more strict scrutiny from the government, or require approval from higher levels of the government, while investment in “prohibited” industries is completely off limits to foreigners.

Restricted Industries:

- Certain agricultural, forestry, animal husbandry, and Fisheries
- Mining of precious metal and certain ores
- Certain manufacturing (tobacco, certain textiles)
- Electricity (adoption of low capacity generator)
- Certain telecommunications
- Certain wholesale and retail trade
- Electricity, gas, and water production
- Wholesale and retail of certain products
- Banking and insurance industries
- Real estate in high-end property
- Public utilities
- Medical institutions
- Golf courses
- Production and distribution of radio and TV programming
- Land surveying
- Asset certification and appraisal
- Media and religion

Prohibited industries for foreign investment in China:

- Breeding and growing of precious, high-quality breeds of animals
- Development of certain types of plant seeds
- Mining of radioactive materials
- Arms and ammunition manufacturing
- Construction and operation of power grids
- Air traffic control
- Postal services
- Futures trading
- Social research
- Gambling
- Pornography
- Publication of books, magazines, and newspapers

OPPORTUNITY OVERVIEW: VIETNAM

A PRIMER

Vietnam has been a valuable manufacturing hub since the economic reforms following the Cold War, but misappropriation of foreign investment and sharp inflation practically brought Vietnam to a crash from which it is still recovering.

Vietnam has been historically controlled by Chinese and French powers until a gradual slide into Communism during the Cold War. World powers invested funds and weaponry into Vietnam during a “proxy war” that lasted until the mid 1970s, leaving the country in shambles. Vietnam change quickly, achieving independence and passing economic reforms (“*doi moi*” in Vietnamese) in just a decade after the war. On opening to the global market in the 1990s, Vietnam’s GDP became increasingly export-dependent, accounting for 40% of the country’s GDP and making it attractive to foreign investment by 2010. Corruption and high-level political meddling squandered much of the invested capital, however, causing economic slowdown to 5% Y/Y growth, freezing real estate investment, and spiking inflation of commodities like food and fuel.

Modern Vietnam is the 15th most populous country in the world, home to over 90 million people generating a GDP of USD 170 billion per year. Unfortunately, the purchasing power of the Vietnamese citizen is just USD 250 per month. Vietnam remains a centrally controlled Communist government, but free-market reforms have created a privatized business sectors and a strong culture of traditional entrepreneurship. Close economic and political ties with South Korea, China, and the US helped the country withstand decade of financial mismanagement and return to acting as an export hub. The effect on the Dong currency has made Vietnam very attractive location for sourcing of raw materials, artisan goods, textiles, footwear, and certain types of professional talent.

Policy Dictates Economics

Vietnam has but one way to advance as a nation - through the political will of its single ruling body, the Communist Party. While Vietnamese entrepreneurs, foreign investors, and middle-class Vietnamese demand greater local prosperity and international connectedness, the Communist Party holds power over the final verdict in business.

The market is healthy for exports, but unless the Communist Party is willing, there will not be greater market reforms. Without political competition, there is little room for market innovation or small businesses, compared to other countries in Southeast

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Asia. In an illustrative instance of a politically sensitive opportunity, Vietnam's renewable energy sector is in dire need for sophisticated ideas and investment. However, change is stymied by Vietnam's government, which has yet to privatize the sector.

With the same leaders in power for decades per term, corruption is a deeply integrated part of the established system, leaving a disproportionate amount of control in the hands of wealthy Vietnamese business owners in traditional industries. Vietnam experiences substantial trade deficits because locally produced goods remain low on the value chain. There are also fiscal deficits due to overspending on social subsidies in efforts to bandage rather than cure systemic problems. If things continue as they are, discontent about rising food and energy prices may bring citizens to street protest.

The Vietnamese Dong, the local currency, is heavily managed and kept low in value by the government. This has prevented Vietnamese manufacturers from investing in higher-level, more advanced goods and manufacturing tools. The good news for importers of Vietnamese commodity goods like apparel is a heavily discounted price if properly negotiated, but the tradeoffs are low diversity of goods and few quality controls.

Despite government controls, certain projections paint an optimistic picture of Vietnam in the near future. Vietnamese services are beginning to reach global markets, driven by low domestic wages and interest from local youth to become globally involved. The potential downside may be that less affluent, less educated locals may fail to adapt to the shift, creating greater income inequality. Foreign investment reentered the country as of 2014, driven by global excitement about China and the Southeast Asia region as up-and-coming economic powerhouses. Finally, the country is set to urbanize 50% of its population by 2040, if not sooner.

Early Days of Cutting-Edge Trends

Although the Vietnamese consumer market is relatively young in its development, the trendy brands and modern technologies adopted by the majority of the population tell another story. In Vietnam, consumption is a form of expression.

The Internet has introduced fresh global influences that are changing consumer habits. Social networks, especially Facebook and Twitter, and online games are incredibly popular in Vietnam. As a result, both men and women have become less

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price-sensitive and increasingly attracted to fashionable apparel, accessories, and technology imports, taking cues from the United States, South Korea, and Japan.

Another growing industry in Vietnam is health and wellness: Gyms, personal training, yoga, private health insurance, and independent hospitals are booming, with high demand for foreign goods and international service standards among wealthy Vietnamese.

This also has an influence on demand for food quality and diversity: The Vietnamese favor clean and healthy food products free of pesticides and hormones, sometimes opting for international goods. Finally, Vietnam leads most of Asia on the rights of the lesbian, gay, bisexual, transsexual, and queer community, permitting parades and public displays of affection.

Clearly, there are tremendous opportunities in high-end branded fashion, popular technology, wellness products and services, high-quality food, and renewable energy. Meanwhile, Vietnam's commodities market has been saturated in both import and export. There is also high demand in the population for petrol, electricity, and food, which has risen in cost after inflation.

As the country is a trading partner with China, Australia, and the United States, entrepreneurs from these countries may benefit from the opportunities available in several of these sectors in Vietnam.

TOP EXPORTS & IMPORTS

Exports: Equipment & Raw Goods

Timber, crude oil, coal, textiles, finished apparel, finished footwear, furniture, foodstuffs, agricultural products, coffee.

- **Vietnam specifically to USA:** Apparel, footwear, wooden furniture, electrical machinery, coffee, fish and related products, and computer equipment.
- **Vietnam specifically to China:** Wood, furniture, agricultural products, foodstuffs, raw materials, coal, forestry and fishery products, rubber, coffee, and fruit.
- **Vietnam specifically to Australia:** Crude oil, textiles, footwear, seafood, timber, rice, rubber, coffee, cashews, pepper, and coal.

Imports: Industrial & Unfinished/Cheap Consumer Goods

Foodstuffs, raw materials, textiles, steel, petrol, plastic goods, metals.

- **Vietnam specifically from USA:** Cotton, passenger cars, machinery, mechanical equipment, meat, plastics, dairy products.
- **Vietnam specifically from China:** Steel, raw materials, near-finished goods for footwear and garment sectors, petrol, chemicals, and plastic goods.
- **Vietnam specifically from Australia:** Wheat, gold, copper, scrap metal.

REGULATED INDUSTRIES

Prohibited

- National Defense and Security
- Projects detrimental to historical relics, culture, and morals.
- Projects harmful to public health, natural resources, and the environment.
- Waste treatment.

Restricted

Foreign investors in restricted Vietnamese markets must comply with unique laws for that industry and for their foreigner status. The following conditional investment sectors are applicable to all foreign investors who invest in Vietnam:

- Radio and TV
- Production, publication, and distribution
- Mining
- Telecom and Internet
- Postal services
- River and port investments
- Sea and air transit investments
- Aquaculture
- Tobacco
- Real estate
- Education
- Health services

**OPPORTUNITY OVERVIEW:
SOUTH KOREA**

A PRIMER

South Korea is a high-technology and textile export powerhouse, with exports comprising of 50% of the country's USD 1.151 billion GDP (15th in world). As the 1960s witnessed Korea's GDP at USD 79 (below the productivity of North African countries engaged in insurgencies), Korean politics until the 21st century focused on one thing: steady and stable growth. It started with the forceful reign of Major General Park Chung-hee, who is considered to have initiated South Korea's focus on exports as a tool for economic prosperity. A centrally controlled economic model combined with tight monetary controls and a powerful state-supported business sector has helped Korea weather the Asian and Global financial crises, though Korea's focus on exports make it vulnerable to fluctuations in foreign trade. The key reason why this policy works well in South Korea, unlike in Vietnam, is very low corruption: a system with strong controls must have responsible people directing it.

The North-South Korea divide has been a sensitive issue among Koreans for decades and has continues to remain unresolved. All references to "Korea" in this guide will refer to South Korea unless otherwise specified.

Powerful Multi-National Corporations

South Korea has become a democratic country with the equivalent of two political parties: conservative and liberal. The country intends to modernize its economy to capitalize on a highly educated youth population by investing in technology startups and small-medium businesses, while simultaneously keeping its historically state-supported multi-national enterprises like Samsung, LG, and Hyundai globally competitive. These now-independent but state-favored corporations are a major point of both local pride and economic dissatisfaction. Called *chaebol*, these family-run dynasties continue to hold intimate ties with the government (Hyundai executives have served as mayors of Seoul, for example) and Korea's top 10 *chaebols* comprise 80% of the country's GDP. Meanwhile, small and medium businesses in Korea struggle to secure loans from banks, government contracts, top talent, and reach international markets.

It would be wise for foreign business owners to avoid direct competition with the powerful *chaebols*. Korea is not very friendly to foreign business owners, requiring high investments to legally maintain a business even after years of operation. Currently the upfront investment required is 300,000 USD to legally operate a business locally. While Korea does attempt to aid foreigners in establishing

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partnerships with Korean locals, the byzantine system of business laws in the country may still prove difficult to navigate for foreigners.

Korea's population of 50 million earns between 22,600 - 32,000 USD per capita, with a habit of conservative spending on any goods outside of the daily necessities. This has begun to change among young Koreans, who are more impulsive with their savings. Foreigners comprise 1.5 million (3%), of the population (including half-Korean residents), but have grown quickly, at a rate of more than 50% between 2007 and 2014.

Youth Today, Seniors Tomorrow

The native South Korean population comprises of the world's highest number of PhD candidates per capita. On the other hand, conversational and business English skills have been observed to be possibly weaker than expected in light of exemplary academic performance. Young adults of South Korea may not be as large a consumer market as they seem considering wide underemployment and the costs incurred by extended educational time frames. They do, however, represent a large and academically gifted pool of labor just waiting to be trained and put to work.

Young adults have begun to eschew traditional Korean rites of passage like home ownership and marriage in favor of alternative living arrangements, such as cohabitation with significant others or family members. As a result, families are established later than before, especially given underemployment trends. This trend may lead to either more accumulated savings or increased discretionary spending, but in any case is likely to change consumer habits in future generations of South Koreans.

In 2014, Korea invested over a billion dollars in the development of technology ventures and small-medium businesses, shifting the focus from an export economy to a "creative" economy. Bolstered by the success of a series of web and mobile software companies like Kakao Talk, Korea is seeking to popularize employment in these new, growing companies by appealing to underemployed, prestige-seeking youth. Not only is the initiative intended to protect the future of Korea's economy and increase its influence on the increasingly technical world stage, but Korea also sees it as necessary for addressing one of Korea's biggest problems: its aging population.

By 2018, 14.4% of the South Korean population will be over 65. The social contract of Asia necessitates the youth supporting the elderly, but with low youth employment

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and increasing elder demand, Korean pensions will simply not scale unless the country secures major economic wins. Startups, Korea hopes, is the calculated risk that will pay off - for both today's youth and tomorrow's seniors.

Serving the aging population with affordable goods and services is an unprecedented opportunity with high growth potential. Korea's technical industry is set to boom, demanding new business and technical services, as well as office equipment, day-to-day business goods, and specialized technical products. As marriages are typically coupled with later career success, the young adult market has unique needs, many of which have been addressed in the form of entertainment.

Beyond Interdependence & Competition

Korea's pride has been its world-class exports, but the dependency on foreign consumer goods has made Korea's leadership unsettled since the Western financial crisis.

China

South Korea's main trading partner, China, makes up nearly all of Korea's export revenues across multiple industries. South Korea is ambivalent about China, considering China a candidate for both cooperation and competition.

Korea's interdependence with China has been subject to controversies, most notably during the 2005 "kimchi war" dispute. Koreans accused Chinese kimchi of containing parasitic eggs. China levied the same accusation against Korea. The result: an almost across-the-board decrease in trade between China and Korea for a short time, as a matter of pride. The 2008 baby powder controversy, which was caused by Chinese baby formula containing harmful ingredients, further decreased Chinese-Korean trade. Since then, however, competition has been more civil, as witnessed in Korea's Samsung vs China's Xiaomi.

Manufacturing in Korea pales in scope compared to China, and no longer competes on price against other export-dominant countries in the region like Vietnam or Cambodia, so Korea is left no other option but to support itself. This, again, is a contributing factor to the major investment in technology and new business. If the trend continues, Korea's main advantages in production will include design, research, and engineering talent at competitive rates, in addition to digital products. Typically, China focuses on price and quantity, while Korea emphasizes quality and brand perception.

United States

For the United States, South Korea is a valuable trading partner, as the 7th largest importer of U.S. goods, and the 6th largest supplier. The focus of trade between the two countries has been on technology and services. The U.S.-Korea Free Trade Agreement of 2012 eliminated the majority of tariffs between the two countries, although it has not resulted in significant consumer change, with continued resentment from the majority of Koreans who opposed the U.S.-drafted bill. In spite of the tension, Korea remains a powerful producer of highly-specialized and technically advanced industry and consumer products, with Samsung and LG leading the consumer electronics industry in the U.S. and many other parts of the world.

TOP EXPORTS & IMPORTS

Exports: Equipment & Raw Goods

Machinery, electrical equipment, optical, photographic and medical instruments, chemical industries, mineral products, base metals, plastic, and rubber.

- **Korea specifically to China:** Cars, electronics, petroleum.
- **China specifically to Korea:** Electronic machinery, cars, mineral fuels, oil, iron, steel.

Imports: Industrial & Unfinished/Low-Cost Consumer Goods

Machinery, electrical equipment, base metals, textiles, mineral products, chemical industries.

- **China specifically to Korea:** Agricultural products and low-cost consumer goods, especially electronics.
- **US specifically to Korea:** Consumable agricultural products (grains, red meats, hides, wheat, cotton), machinery, optics, medical equipment, aircraft, mineral fuels. Popular services in Korea include foreign education, business services, travel services. Microbrewing is also popular in Seoul and Busan, with many brands becoming locally available in the early 2010s. Brewers typically buy ingredients and equipment internationally.

Difficult to Find Products in Korea

Although there are exceptions for major cities, it is typically difficult to find Western-sized shoes and clothing, dairy food items, vegan/vegetarian foods, some Western sweets and snacks, and U.S.-brand hygiene products.

REGULATED INDUSTRIES

- Defense Industry
- Broadcasting
- Atomic Energy
- Telecommunications
- Mail Service
- Culture and Tourism
- Agriculture, Forestry, and Fishery Administrations
- Correctional Institutions
- Police and Fire
- Public Education
- Labor Unions
- Religious Groups
- Finance/Asset Management
- Auto imports
- Construction

**TACTICAL GUIDE:
PRODUCT & MARKET SELECTION**

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The best product will suit the entrepreneur's interests, have proven market demand, provide healthy profit margins, take advantage of any existing communities for distribution to the target market, and offer a unique brand around product offerings for a future business sale opportunity.

Unfortunately, the "ideal" product probably doesn't exist - or at least not without high competition. In the process of researching products, some products will likely fit under some of the ideal criteria, but not others.

To combat the sense of overwhelm over too many choices, we recommend brainstorming a list of less than a dozen products, eliminating options after preliminary research, and exploring supplier opportunities for a shortlist of 1-3 products.

Whether the reader is considering a product for a new business, or researching a niche for an existing business, the following techniques and tools can be used to evaluate present demand and aid in projecting future trends of demand.

1. BRAINSTORM PRODUCTS OF INTEREST

The ideal product will be already familiar to the entrepreneur, or of enough personal interest for the entrepreneur to learn more about.

Goal: Find 10 products of interest.

Process: Search through Amazon.com by category and look at best-selling products.

Focus on clothing, toys and baby goods, accessories, beauty products, home and kitchen, home improvement, and sports and outdoors for products that can be easily reproduced and packaged, as well as modified to suit future demands. Electronics have historically delivered very low profit margins for vendors, so readers are advised to avoid them.

Ideal products are some of all of the following:

- easily and quickly produced, and non-perishable
- reasonably sold for 75-200 USD
- appealing to customers who can afford the product
- appealing to customer types within reach of the entrepreneur's personal network (e.g. automotive fanatics in the local vintage car club, other parents at your daycare)
- can be repeatable purchases

2. RESEARCH DEMAND

Researching queries entered into search engines like Google helps with understanding market demand by way of internet searches. Search results on Google represent nearly 70% of all the internet searches in the United States, so we focus on tools for researching queries made on Google specifically.

In particular, Google Keyword Tool and Google Trends reveal historical search trends for goods potential customers are interested in buying, as well as the cost of acquiring these customers via PPC Google advertising. Both are important to know, as they will dictate the marketing strategy even if.

Goal: Eliminate 50% of possible products brainstormed in the previous step, based on market demand. Extremely high demand makes it prohibitively expensive to compete, while extremely low demand is unprofitable.

Process: Use Google Keyword Tool to find “keyword phrases” related to the chosen products [<http://adwords.google.com/KeywordPlanner>].

Buyers often search for goods they plan to buy with the first impulse, shortest keyword string that’s likely to bring up the products in which they are interested. For example, a string such as “motorcycle helmet” and “buy motorcycle helmet” would be popular and show a higher search volume (while searching for EXACT MATCH) than more nuanced searches that also consider color or style. However, these more nuanced terms generally have a higher buying intent. Short and long keywords are each valuable in unique ways, but the price of shorter keywords tends to be much higher. To find great keywords and understand their costs, we like to use Keywordtool.io. It provides the added feature of comparing keywords by competitiveness. If aiming to ship nationally, one should target “Local Monthly Searches” rather than “Global Monthly Searches.”

Google Trends shows seasonal changes [<http://www.google.com/trends>]. It’s important to check against Google Keyword Tool, which only lists search volume of the most recent month, which can result in misleading projections of yearly demand.

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No hard rules exist on the “perfect” keyword phrases, but there are general guidelines for niche products aimed primarily at consumer markets:

- **Exact monthly searches of 10,000-50,000.** Higher numbers may indicate too much competition, but the exact number varies with market and product.
- **Low brand dominance.** An example of high brand dominance would be the smartphone industry. Smartphones are in high demand, but it would be difficult to beat Apple and Samsung without a tremendous amount of resources.
- **Appearance of “long-tail keywords.** This means very specific searches in lower volumes but also represent opportunities for niche products. For example, searches for “snowboarding gear” may uncover searches for “snowboarding gear for learning tricks”, which may be a niche worthy of further research.

Other Tools for Researching Demand

Amazon Top Sellers [<http://www.amazon.com/Best-Sellers>] and **Movers and Shakers** [<http://www.amazon.com/gp/movers-and-shakers>]. Much like Google Trends, Amazon Top Sellers and Amazon Movers and Shakers tools show leading purchases and those exploding in popularity, which can help in capitalizing on new trends with competing or supporting products. For example, October’s Halloween holiday increased costume sales astronomically: the sale of “Minnie Mouse ears” headpieces grew 19,000%. Similarly predictable fluctuations occur on Christmas, Valentine’s Day, and the month of August for back-to-school sales.

Amazon’s Most Wished For [<http://www.amazon.com/gp/most-wished-for>] section can be used to predict trends in Top Sellers and Movers and Shakers, or to explore opportunities for brand new products. The rankings are like the stock market, liable to change with a single corporate announcement, new book tour, or rising fashion trend, so it is fraught with risk. However, it allows for diversification of a store’s product offering.

Ali Data [<http://data.alibaba.com/industry/overview.htm>] is a up-to-the-day collection of trend data on all sales and purchases handled through Alibaba, the largest business-to-business marketplace of products, for everything from Jawbone UP bands to artificial grass lawns. Virtually any product can be analyzed, by various attributes, including sales patterns, trends in supply/demand and purchase/sale locations.

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Amazon New Releases [<http://www.amazon.com/gp/new-releases>] offers ideas on complementary products for popular, newly released products. Many successful businesses are built on the ability to provide complementary accessories to very popular products (e.g. phone cases for iPhones, special decorations for cars). Amazon New Releases show the best-selling primary products on which to build a potential complementary goods empire. For example, the GoPro HERO extreme sports camera could be a candidate for sales of “selfie poles” when considered in context of the “selfie” photo-taking trend across North American young adults, while newly released models of the Kindle could benefit from custom covers.

EBay Completed Listings [<http://www.ebay.com/sch/allcategories/all-categories>] and **EBay Collections** [<http://www.ebay.com/cln>] is less transparent than Amazon in revealing its trends, but it’s possible to scour the site for inspiration across more obscure verticals (e.g. ethnic apparel, separated by place of cultural origin). The EBay Popular listings are also helpful, but involves a tedious search process.

Kickstarter [<http://kickstarter.com>] can be a source of brilliant and original ideas, especially in technology and artisan products. This crowdfunding platform frequently serves as a source of inspiration for making modifications on commodity products. For custom-made products, entrepreneurs can use Kickstarter as a means of testing consumer demand by submitting their product idea as a candidate for crowdfunding.

3. RESEARCH COMPETITION

With the following research techniques, entrepreneurs can understand exactly the competitive landscape on various accounts: product offerings, brand positioning, marketing approach, and target customer.

Note that, in most cases, competition should not serve as discouragement against a product idea, but rather, confirmation that the niche is profitable.

Goal: Reduce possible options to 1-3 products based on competition in organic and paid search.

Process: First, conduct a Google search for each product, and explore the websites that offer similar goods and appear on the first page of search results. Then, analyze the competitors’ website traffic and audience demographics.

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The top 3 sites offering sales of the target product in Google search results account for over 90% of sales from this search. Review each website and consider:

- Customer Base: “Would my target audience be their customer?”
- Quality: “Is the website easy to use?”
- Competitive Advantages: “Do they offer content, service, or other competitive advantages that would be difficult to out-perform?”

Use **Quantcast** [<https://www.quantcast.com>] to understand the quantity of traffic coming to each competitor site. Consider:

- Is the competitor’s audience similar to my target audience?
- Are they attracting the majority of search traffic, or just a small fraction?
- Are they attracting traffic from sources besides search?

For more depth, use **Moz Tools** [<http://moz.com/tools>]:

- Free tools like “Open Site Explorer” and “MozBar” help with quantifying page rankings by site content and social presents.
- The paid “Keyword Difficulty Tool” can be used to determine the chances of becoming competitive in a chosen niche with a strategy combining content-driven search engine optimization and paid search advertising.

Finally, remember that, even if the main competitor is a large distributor (e.g. Amazon.com), small business owners can still gain customers by becoming a domain expert in the niche and overtaking the #1 search engine result with superior content and service.

4. DECIDE ON A PRODUCT

With all the information from the previous steps, choosing a product may still appear difficult. We assume readers are left with 2-3 product ideas after the research process, and wouldn’t object to years of learning about and selling any one of them. Potential for profitability should be the final test before pursuing a product idea. To gauge profitability, we estimate the profits of the biggest competitor through a process of reverse engineering.

Goal: Estimate potential annual revenues based on competitor traffic and assumed purchase behaviors. Use it to finally select a product.

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Process: The general formula to use is:

[# of Unique Monthly Visitors]
x 0.01 [Assumed Conversion Rate of 1%]
x [Average Order Size, in Dollars]

- **Monthly Site Traffic:** Using Moz and Quantcast, estimate number of potential customers visiting a competitor's website.
- **Assumed Conversion Rate:** A well-designed site driving traffic through organic and paid search terms will usually be lucky to land in the 1-3% of customers who visit the site actually making a purchase, or converting. This further varies wildly by industry, so using 1% should make for more conservative cross-industry estimates.
- **Average Order Size:** Would most customers buy a single item, or a set of 3 items? With an educated guess (or even better, a call or email) to a competing distributor or supplier, input a dollar amount that would represent a reasonable size purchase.

The result of the calculation is an amount representing annual revenue. It provides a general impression of likelihood of profitability in a given niche, for an online store at the #1 organic search ranking position (which can be gained after several months of work).

Depending on the quality of the current #1 competitor, the resulting annual revenue may be below potential revenues if the website is poorly designed, offers sub-standard service or shows a meager selection of goods.

If, however, the store is polished in execution, the niche may be both difficult to conquer and unprofitable for newcomers. Unless the potential revenues seem attractive for an overwhelming level of dedication, consider other products instead.

A product that offers 30,000 USD annually will equal a minimum US wage for a business owner working 40 hours per week, and earnings will only decrease upon factoring in the costs of marketing and payment transactions.

**TACTICAL GUIDE:
SUPPLIER SELECTION**

The Supplier Selection Process

There are four phases of supplier selection:

1. **Preparation:** The entrepreneur will need to approach suppliers ready to create the product. Having the ideal product in mind and supporting business plan are a must before sealing the deal.
2. **Research:** The entrepreneur conducts online research and makes the initial contact with various suppliers to confirm the ability to create the product to specifications.
3. **Supplier Evaluation:** Understanding the manufacturer's quality of operations from deep questioning, the entrepreneur narrows down potential partners by interacting with its staff.
4. **Due Diligence:** Here, the entrepreneur evaluates the supplier's manufacturing process, the resulting product, and consistency with scale.

Alibaba: World's Largest Business-to-Business Market

For almost all production searches - covering China, Vietnam, and South Korea alike - we recommend Alibaba. Unless the entrepreneur is prepared to travel to China directly and scout out partner factories him or herself, Alibaba remains the best portal to finding high quality manufacturers, for the following reasons:

- Alibaba handles the Alibaba B2B factory search portal, Alipay for payments, and Taobao for consumer goods. Its 2014 eCommerce transactions totaled almost 250 billion USD, more than eBay and Amazon combined.
- Alibaba amounts to 80% of China's whole online purchase market, and monetizes primarily on advertising and value-add services for buyers and sellers, rather than through product margins.
- Over 7 million merchants use the site to sell electronics, craft goods, apparel and everything else. For a deep dive into Alibaba since its IPO - the world's largest to date - the Wall Street Journal provides the full facts here [<http://projects.wsj.com/alibaba>]

Plugging into Asia's largest Alibaba means having access to thousands of vendors for almost every item. Some of our experts found the perfect supplier by working on their projects long enough to attract their attention, but almost all of them started off with a process similar to the one below. The next section will detail how to use Alibaba to communicate effectively with suppliers to find the best partners, negotiate the terms on the delivery of the first prototype, and place the first major order.

1. PREPARATION

The buyer is never the only one asking the questions. Experienced suppliers will want to know about the entrepreneur's current venture, his past businesses, and most of all, how much revenue will come through the business to them through drop sales or inventory purchasing.

Answering Common Questions

Before speaking with manufacturers, have an answer to the following questions.

- What is your product and how will it be used?
- How will it look and function, specifically?
- How many will you be ordering?
- What is your projected monthly demand once you're up and running?
- What is your budget? What's your target cost per item?
- What is your profit margin, after packaging and shipping?
- What is your preferred method of production?
- What materials will be needed?
- Once it arrives, where will you store it?

Prepare Business Details

Detailed and specific communication is the golden rule of sourcing or making products in Asia. In China, Korea, and Vietnam alike, manufacturers will make exactly what the entrepreneur asks for at the lowest possible price, sometimes to a fault.

When, say, making a new polo shirt, know things down to every stitch, or have an expert help with exact specifications. This means everything down to the number of buttons, the color and size of each button, the material from which the buttons should be made, the number of holes in each button, and color of thread with which they will be sown into the shirt. Anything less, and a careless buyer might end up with a shirt that is totally unwearable, while the manufacturer will have to their defense that they have delivered exactly to the requested specifications.

Especially if making a new product or changing an existing one, ensure the supplier's ability to fulfill manufacturing needs, including materials and scale of production capabilities, and the ability to use new mold or casing if necessary. Trust nothing until a sample is made and delivered.

Prepare Product Visuals

In any product request, it is important to add a visual representation of the product. Draw the desired product, or hire a product artist to help with creating the first sketches. If designing a high-value product, do everything to finalize the design before shipping it off to a manufacturer, because each change made with the factory creates huge costs.

Consult with design specialists and modeling it in clay, plastic, or metal with the help of local service providers. It is possible to use AutoCad/AutoDesk or 3DS Max to create 3D models, or to hire someone to create these visuals. These designers are available on oDesk [<http://odesk.com>] and Elance [<http://elance.com>], with the most desirable artists having a handle on “design for manufacturing,” which takes materials and physics into the consideration of their drawings. Having a hard prototype (usually made of resin or plastic) means being able to test the design in real life and creates more credibility with suppliers, too. Be excruciatingly specific with the dimensions, colors, weight, materials, and logo positioning.

2. RESEARCH

Goal: Find and evaluate suppliers in an online search. By the end of the search, aim to have compiled a list of 10-20 vendors to contact.

Find the Product Using Keyword Search

Using the search function on Alibaba.com, start with a keyword search from the home page. A simple keyword query reveals a list of products and manufacturers, which can be further filtered. These results give a good sampling of the industry standards on prices for the desired goods.

The screenshot displays the Alibaba.com search interface. At the top, there's a navigation bar with 'Hi Michael, Sign In (Not you?)', 'My Alibaba 7', and 'For Buyers'. Below this is the search bar with 'Products' and 'What are you looking for...'. The search results are for 'Sungold solar panel cleaning system' with 75,078 products. The left sidebar (blue box) contains filters for Categories (Electrical Equipment & Supplies > Batteries > Solar Cells, Solar Panel), Material (Monocrystalline Silicon, Polycrystalline Silicon, Amorphous Silicon, Plastic), Transactions (conducted via Alibaba.com), Suppliers by Area (East Asia), and Suppliers by Country/Region (China (Mainland)). The main content area shows two product listings. The first listing is for 'Sungold solar panel cleaning system' with a price of US \$0.72-0.85 / Watt (FOB Price) and 100 Pieces (Min. Order). The supplier is Shenzhen Sungold Solar Co., Ltd. with a 38.0% response rate. The second listing is for '1KW to 100KW Solar Panel System for Large-Scale PV Plant' with a price of US \$1.5-3 / Watt (FOB Price) and 10 Units (Min. Order). The supplier is No.36 Research Institute Of CETC with a 65.4% response rate. A red box highlights the 'Sort by' options: Gold Supplier, Onsite Check, Assessed Supplier, ESCROW, and e-Credit Line.

Figure 1 - Alibaba Search

Search and Filter

Filter by Categories (Figure 1 - Blue Box)

Eliminate initial search results to certain industries and product types. Choose specific Categories, Materials, and Regional Suppliers.

Filter by Quality Standards (Figure 1 - Red Box)

Use Alibaba's internal assessment standards to find a list of the most reliable and experienced suppliers. We suggest filtering for firms that pass the following standards, in order of importance:

- Gold Buyer
- Escrow services
- Onsite Checked
- Assessed Supplier

Details on each standard are available on the website, and are especially recommended for newcomers to product sourcing.

Evaluate Suppliers

Visit Individual Supplier Pages (Figure 1 - Purple Box)

For each supplier offering the desired product, evaluate the following attributes on the supplier overview section in the search results, and upon reaching the individual supplier page:

- Years in operation (We recommend companies with a history of operation for 2 years, at minimum. Such firms are less likely to go out of business and are proven to provide high enough standards of service to stay competitive).
- Product specifications and pricing
- Sample requests
- Minimum Order Quantity (MOQ)
- Product turnaround time
- Shipping and Handling, Delivery time
- Payment methods
- Policies on returns, after-sale service, and liability
- Reviews and testimonials from former and current customers

Check for Scammers

To eliminate fishy sellers, double-check their personal information:

- Call the listed number during business hours to check the availability of live customer service staff.
- Visit the business website, if listed, and examine the information using Google Translate [<http://translate.google.com>] if necessary.
- Check the WHOIS Registry [<https://who.is>] to find the contact information of the site owner. Note: Sometimes, a website owner has installed a “WHOIS Guard” service with their web host, resulting in dummy contact information used to mask actual contact information for the purposes of identity protection, which should not be cause for alarm.
- Check the presence of a physical business address. This is important especially if the WhoIs information masks the business address. A Post Office box listed as a business address should raise suspicions.

Alternative Method for Supplier Search

Buy Requests (Figure 1 - Yellow Box)

Making a request for proposals from manufacturers is an effective way to set a baseline price for a desired product. The ability to show suppliers buy requests received for the same product at lower prices can be used as leverage during negotiations.

Using the request tool indicated by the yellow box, post a buy request or gather quotes (“Get Quotations”) for the desired product. As product requests typically garner dozens of bids, attention to detail and specificity in the request can help reduce the volume of bids to a manageable amount. Sales agents usually reach out in under 12 hours.

As some bids may come from inexperienced factories without previous sales, the same level of scrutiny is recommended for vendors found through inbound bids as those found through a typical keyword search.

3. SUPPLIER EVALUATION

Goal: Make initial contact with the 20 manufacturers from the search, expect to eliminate some prospects and end with 3-5 manufacturers remaining for further evaluation.

Initial Contact

Begin by using Alibaba's "Contact Supplier" to send a message. The following format is recommended for the first message:

Hi,

I am the business owner of [Company Name]. My business offers [Description of Products/Services].

I am looking for a supplier for [Desired Product, described in excruciating detail].

This product will be used for [Description of Use]. To get started, my first order will be for [Number of Units, usually at least 250-1000].

- 1. Can you make this product exactly as I describe it?*
- 2. Are you authorized to ship this product to [Your Country, or Country of Target Customer]?*
- 3. What is the cost per unit at [Number of Units], with transport cost and any fees?*
- 4. How many units of the product can you supply per month?*

Thank you!

Best,

[Name]

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Additional recommendations for the initial message and beyond:

- **Reach out to all suppliers simultaneously, or in batches of 5.** Near-simultaneous communication with multiple suppliers allows for easy comparison of communication speed and patterns across different suppliers. Batching allows for optimizing messages and more streamlined communication with future batches. For example, if the initial batch of communications results in multiple suppliers asking the same question, the following batch of messages could include the answer to preemptively reduce back-and-forth.
- **Include not more than 3-5 questions per message,** to increase attention to each question and reduce response times.
- **Communicate in plain English.** The majority of issues for beginner importers are due to miscommunication rather than process failures. Most likely, the contact has limited English vocabulary beyond those necessary for business, and will also be communicating with dozens of other clients each week. For these reasons, avoid complex words and slang, and use lists and bullet points to communicate multiple questions or points.
- **Build the relationship slowly.** As supplier sales agents handle dozens if not hundreds of requests per day, refrain from making requests that require additional time to fulfill (e.g. samples or factory photos) at this phase of the relationship.

Keep or eliminate prospects, based on the following principles:

- Allowing for time zone differences, note response times and the attention to detail in responses.
- Responses that include questions for you indicate serious interest, and are worthy of further correspondence.
- Responses with promises along the lines of, “We can do everything and anything you want” are, of course, to be regarded with caution.
- Eliminate prospects whose responses include confusing language or price estimates astronomically higher than the average.

Real-Time Evaluation

Using the provided communication and process standard reviews, eliminate all but the top 3-5 potential partners. As communication problems consist of the majority of supplier issues, testing communication in real-time after the initial few email exchanges is important before proceeding with a supplier.

Speak with each supplier via Alibaba Chat (“AliChat”) or Skype

Either option offers a chance to ask in-depth questions more effectively than via email, while also gauging English proficiency. While not all suppliers will use Skype, the few that do may have better English-speakers on staff than those that resort to text chat.

In-Depth Questions for Evaluating Suppliers

Product

- Is the Price Per Unit negotiable? What discounts can I get on larger orders?
- What will be the cost of a sample? Do you refund the price of the sample?
- How is the product packaged?

Shipping

- How is the order shipped for small quantities? Large quantities?
- Do you provide a tracking code for the order?
- Can you help me find the cheapest port for delivery?
- How long will the supply take to reach my business?

Payments and Returns

- When will my payment be due?
- Do you offer escrow payments?
- Do you handle returns due to manufacturer fault?
- Which payment methods do you accept? Alipay? Paypal? Something else?

Communication

- How long do you need to respond to emails from your clients?
- Are there any dates of the year you are very busy?
- Can I place all future product orders directly by email?

Staff and Company

- (For larger companies) If we decide to work together, will you be my primary contact? (If no, ask: Can I speak with the primary contact?)
- How long have you worked at the company?
- (If there are several product lines offered by the company) Do you have any areas of speciality?
- How many clients does the company serve right now?
- How many clients are you personally working with?

General Principles for Real-Time Supplier Interactions:

- Do not accept claims without due diligence. Before a formal business agreement is established, suppliers may shower prospective partners with praise, or redirect conversation to evade probing questions as a means to save Face. Stay focused and continue asking the most important questions until receiving a credible and satisfactorily detailed answer.
- Record every interaction with each supplier, starting from the first contact. Text chats and video calls can be recorded using screenshots and call recording software, respectively. For the latter, we recommend Ecamm Skype Call Recorder for Mac users [<http://www.ecamm.com>], or IMCapture for both Mac/PC users [<http://imcapture.com>].

4. DUE DILIGENCE

Goal: Completing further due diligence on each of the remaining 3-5 manufacturers involves seeing the factory facilities (in-person or virtually), requesting product samples, and conducting reference checks with past customers.

Request Product Sample

The product should not be considered possible until a sample is in the entrepreneur's hands. Before ordering samples, the entrepreneur should have both:

- **Confirmation on the supplier's ability to create the product to specifications.** For custom products, the entrepreneur should have a manufacture-ready prototype or, at minimum, detailed product specifications confirmed with the supplier throughout previous interactions. For existing products, the entrepreneur should have confirmed the type of product desired from the supplier's existing product line, and provided specifications requiring modification, if necessary, in writing and images.
- **Price estimate of samples.**

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We recommend the following email template:

Hi [Agent Name],
I appreciate all the extra information.

I am ready to purchase a sample of [Product Name] to check quality.

I'd like to request [# of Samples] samples to this address:
[Your Address]

Based on our past conversation, this should cost [Calculated Sample Cost] total.
[Attached images and documentation from previous conversations for clarity].

Please give me your PayPal email if you would like me to transfer payment.

Thank you,
[NAME]

Key Considerations for Ordering Samples:

- **Cost.** Sometimes, samples are provided by the factory with zero cost to the entrepreneur. In these cases, it is best for the entrepreneur to pay for the cost of shipping, even when not absolutely required, in order to generate goodwill and show a serious interest in doing business. Paypal is the recommended payment method, because it offers legal protection for buyers, and is easy to use for both parties - the only information required for sending funds is the supplier's preferred email address for receiving payments.
- **Quantity.** First, order up to 5 units of the initial design. Multiple units of the sample provides a sense of consistency in product quality. After the first order of samples, order additional batches of samples until completely comfortable with both product quality and consistency of quality. Only then would the entrepreneur make orders of 100s or 1000s of units.

Factory Inspection (Visit In-Person or Test By Request)

It's not always necessary to visit in-person, but a visit can influence the dynamics of negotiation and provide the entrepreneur with a stronger negotiating position, as a result of a deeper relationship with the supplier and understanding of their manufacturing process and output capabilities. Most suppliers will openly welcome visits from prospective clients of any size.

In lieu of an in-person visit, there are three ways to conduct due diligence:

1. Request media proof. This would include pictures and video of each step of the process of manufacturing, packaging, and shipping now that your product is being made. It is smart to ask for a photo at every step and a tour of the factory on video, capturing the machinery and staff. This request will be much easier to negotiate if the suppliers know their buyer is very serious about working together. Having media proofs of the factory's process flow through photo and video will be an effective way to understand the supplier without visiting the factory personally.

2. Test by requesting a visit. Asking to set up a time to see the factory is a good strategy for vetting factories on their promises. Any company that denies such a request isn't to be trusted. A week after making the tour request, politely reschedule, citing a change in plans, while being effusively grateful for their invitation. This cheeky method is recommended by one of our interviewees.

3. Hire a Professional. If creation of the product requires integration of multiple parts or precise implementation of a complex design, it's wise to consider hiring a quality assurance representative to monitor the manufacturing process and inspect the goods before shipment. Once the product leaves Asia and enters the destination country, obtaining a refund or exchange becomes prohibitively difficult.

Quality assurance agents are available city by city, discoverable through a search for "manufacturing quality assurance + [city name]". In the case of using the assistance of a contractor, it is important to include the following in a message to the supplier:

"I'd like to invite my trade representative, [Name], to see the production of the goods before ordering."

Reference Check

The best insights on business standards of a potential partner will come from their past and present customers. Keep in mind suppliers are likely to only give happy customer references, but that certainly makes them no less useful for (polite) grilling about their partnership experience - good and bad. Any supplier unwilling to share a reference of at least one or two customers is less likely to be trustworthy.

With a reference to a factory client, the entrepreneur should get to know them and their business. To do so, the entrepreneur would provide a quick personal introduction and ask some of these questions by email:

- How long have you worked with this manufacturer?
- What prices are you getting on the same product?
- How do you typically inspect your goods?
- Have you run into any issues? How were they resolved?
- How is the service you receive from the factory?
- Would you recommend this supplier to your friends and family?

Through interviews with factory personnel and references to their existing customers, the entrepreneur should gain a solid understanding of factory operations and have clear expectations about the style of working relationship that can be expected from the potential manufacturing partner. Ideally, the interviews result in narrowing the options down to one partner to serve as the primary supplier, and a second partner as an emergency backup option.

The Relative Importance of Samples, Factory Visits & References

The type of product will determine the level of priority assigned to each of the above means for conducting due diligence on a potential supplier.

In general, for products that are smaller, simpler, and requiring little to no customization (e.g. cell phone cases), sampling is the most reliable test of the supplier's suitability for the entrepreneur, with factory visits and reference checks as merely optional steps. In this case, the process of vetting a supplier involves, in rough chronological order: requesting samples, obtaining photos and videos of factory, and possibly ordering another round of samples before making the first major order.

For products of greater size and/or complexity (e.g. electronics, industrial materials, and most custom products), all possible means of due diligence described become

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absolutely crucial in ensuring a consistently high quality product. The rough chronology for ordering large or complex products is as follows: sending a prototype, visiting factory (personally or with a 3rd party agent), requesting samples, checking references, and requesting more samples before the first major order.

The following email template can be adjusted based on the level of priority for each respective point of due diligence:

Send an email requesting a pictures and/or videos of the factory and a contact to a current client you can talk with, preferably in the same country as you. Try the template below:

Hi [Agent Name],

Thank you for your help so far. I am serious about working with [Manufacturer Name].

I'd like to have some pictures of your factory, see a video tour of the facility, and talk to 2 of your current clients.

1. Please send me recent photos of your company, including:

- Each step of manufacturing
- Your packaging process
- Your shipping facility

2. I would really like a video tour of the factory, with view of the machines and staff.

3. I would like to talk with two of your current clients by email. I want to build a long partnership with you, so I would like to talk to someone who has been your client for at least 6 months. I plan to ask them about their experiences working with you.

Thank you!

Best,
[Name]

At the end of the process, the entrepreneur is likely to have 1-2 satisfactory suppliers with whom to build a long-term relationship.

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FOR DROP SHIPPING: ADDITIONAL CONSIDERATIONS

Drop shipping suppliers can be evaluated in a similar fashion as with manufacturers: through extensive interactions with the supplier, interviews with current and past customers, and sample orders placed for the product.

Finding Dropshipping Companies

- **Brand Name Product Distributors:** If there is a clear idea of demand for a product, the entrepreneur can reach manufacturers directly. For instance, with tennis balls, the entrepreneur would start by contacting a representative at Penn, the tennis ball company, and ask to be referred to authorized distributors, some of whom may be willing to offer a drop shipping agreement.
- **In-Depth Google Search:** Searching for the product online, perhaps “men’s vintage fedora”, serves as a starting point for reaching distributors to contact for a drop shipping arrangement. However, keep in mind many websites on the first several pages of results may be filled with spammy offers. Email or call to vet the distributor.
- **Pre-Vetted Directories:** Large drop shipping databases full of vetted suppliers will require upfront investment for access, but can be useful for those planning to build multiple physical goods businesses over the years. We recommend WorldWideBrands [<http://www.worldwidebrands.com>].

Testing Customer Service

By ordering a package, the entrepreneur can check various aspects of the supplier’s customer service:

- Time of receipt of tracking code, if offered by supplier
- Time of package shipment and delivery
- Package quality

The entrepreneur can further test the supplier’s customer service with the following techniques:

- **Simulate the Worst.** Call under the pretense that the package has not yet arrived. Count the number of attempts and effort level expended by the customer service agent to help reach a satisfactory outcome.
- **Return the Product.** Sometimes, distributors are responsible for returns, in which case the business owner should expect to experience the same returns process a few times per month, at minimum.

**RESOURCE GUIDE:
ORDERING, RECEIVING,
SALES & BEYOND**

1. NEGOTIATING & ORDERING

After obtaining samples and gaining a sense of trust in the quality of product manufacturing at scale, the entrepreneur is ready to negotiate terms of the first major order. The Communication and Negotiation section of this book will offer an in depth exploration of the mindset and strategies for obtaining favorable terms on the order for the long-term.

For now, the goal is to understand the shipment process, common terminology used in negotiations, and to make the first order.

Shipment Process

The manufacturer is responsible for the process involved in delivering the goods onto the chosen mode of transport (sea or air) enroute to the entrepreneur, after which the entrepreneur will be responsible for product transit, unloading, storage, and delivery to retail customers. The following trade terms may be new to some, and will be defined in the following section.

The process typically progresses as follows:

1. **Abroad:** Transportation to the Port of Loading
2. **Abroad:** Export clearance
3. **Abroad:** Cargo loading on container vessel
4. **Transit:** Shipping to the Port of Destination
5. **Transit:** The supplier or freight agent sends Bill of Lading, Packing List and Commercial Invoice
6. **Transit:** The importer receives the shipping documents and forwards them to the agent in the Port of Destination (this company is specified in the Bill of Lading)
7. **Arrival:** Arrival in the Port of Destination & cargo unloading. Importer may choose services such as customs clearing and transportation to a specific address in the importer's country. VAT may be paid in this step, as well.
8. **Arrival:** The cargo is ready for pick up at the Port of Destination or transported to a designated location within the country.

Timing and Expectations

In general, entrepreneurs are advised to order inventory 3 months before intended arrival date to the warehouse. Transit takes approximately 30 days and unloading requires 2-3 days. After unloading, the product will be ready for receiving.

Common Terminology

Incoterm	Export Clearance	Transport to Port of Loading	Sea Freight	Unloading at Port of Discharge	Inland Transit	Description
EXW - Ex Works	No	No	No	No	No	The buyer must arrange transport from the factory floor to the intended location - no assistance is given.
FOB - Free on Board	Yes	Yes	No	No	No	The supplier transports the goods to a specified port in Asia and clears customs, allowing the cargo to leave the country.
CIF - Cost Insured Freight	Yes	Yes	Yes	No	No	Supplier insures and delivers but does not unload goods. The buyer is responsible for all fees on arrival.
DAT - Delivered at Terminal	Yes	Yes	Yes	Yes	To Port/ Terminal ONLY	Supplier is responsible for unloading and fees related to cargo import. The goods will remain for pickup at the port.
DAP - Delivered at Place	Yes	Yes	Yes	Yes	Yes, to provided address.	Full service delivery from factory to desired storage facility (home or warehouse).

Incoterms

Incoterms are three-letter acronyms that describe standardized terms of trade between supplier and buyer. Effectively, these terms describe the party responsible for the product, for each stage of the order shipment and delivery process. Price comparisons between suppliers can only be done knowing their incoterm. The supplier will offer terms under one of the agreements indicated in associated diagram.

Other Terms

For a comprehensive glossary of most business terms associated with international trade, the US Maritime Administration provides the following reference document: [http://www.marad.dot.gov/documents/Glossary_final.pdf]

Negotiating Terms

The terms of shipment, insurance, payment, and product packaging will be covered in great detail with the supplier. The entrepreneur is responsible for specifying all claims in the invoice, and for establishing 100% clarity on price, shipping, delivery times, duties, quantity.

As for mediums of communication, a combination of phone and chat may be appropriate. The phone can be used when real-time interaction would ease the communication process. However, phone calls should always be followed immediately by confirmation of any verbal agreements in written form, either via chat or email, because written messages will be used for dispute resolution if necessary.

The following are recommended terms for negotiation.

Shipment

None of the entrepreneurs interviewed for this book recommended managing the entire logistics chain without professional assistance, especially in the beginning.

We suggest first-time importers work with CIF (Cost Insured Freight) or DAT (Delivered At Terminal) to avoid complications with ocean freight while keeping costs more reasonable than DAP (Delivered At Place).

Unloading of goods can be done in two ways: by the entrepreneur with a rented truck, or via a 3rd party shipping agent. Any order larger than a few boxes of goods is best handled through the shipping agent.

Experienced importers may opt to hire a shipping and logistics company to reduce total order price, in exchange for an annual fee. While some companies do eventually choose to refine the logistics process to increase margins, it is done only once revenues are firmly established.

Insured Freight

It is the buyer's responsibility to gain the requisite level of clarity on the terms of "insurance" involved for insured freight. Especially for expensive and fragile products, we recommend recruiting a local shipping agent to work with the supplier on packaging and protective transit, as described in the "Import Agents" section of the following step. In all cases, ask for a copy of the sea freight insurance policy before goods are shipped.

Packaging

The buyer should specify packaging requirements. The following packaging specifications are suggested for first-time importers because they are the industry standard:

- Outer cartons should be "5 layer cartons" (5-ply cardboard)
- Inner cartons should be "3 layer cartons" (3-ply cardboard)
- Pallets should be "wooden freight pallets" (North American dimensions: 40 x 48 inches)

Additionally, request for the goods to be wrapped in protective plastic and secured with plastic straps to the pallets.

Payment Methods

- PayPal is a recommended payment method. Using a credit card will provide an additional layer of protection for resolution in the case of any misunderstanding.
- Escrow services, like Alipay (the escrow service offered by Alibaba), are also beneficial for both parties. A neutral third party holds the funds and acts as trade mediator, releasing funds as payment only on confirmation of receipt of goods. Escrow services are fast and widely used. Alipay in particular is protected by the highly secure "VeriSign SSL encryption", and a popular payment method.
- Western Union is *not* recommended, as it can put the buyer in a vulnerable position, given little to no options for recourse in case of a scam, disagreement, or misunderstanding.

Finalizing the Order

Once the terms are clear and an agreement is made, send (and record) a final confirmation email to the supplier.

Hi [Agent Name],

I'm ready to place the order for [Number] units of [Product Name].

I will pay [Final Price with Shipping] total to your account [Account Name on Paypal/Alipay].

I expect the same quality as the last sample.

You will send the goods to arrive at [Estimated Agreed Date] at [Your Receiving Address or Port of Pickup].

You confirm you'll be liable for [Liabilities outline as under the agreement] until the goods arrive at [Receiving Location].

If all that is correct, please email be back with a confirmation and I'll transfer the payment [on these special terms, if applicable].

Best,

[Name]

2. RECEIVING, TRANSPORT, STORAGE & FULFILLMENT

The product might be great, the manufacturing relationship may be strong, but neither matters if there is not a way for the customer to receive the product in perfect condition, in a timely manner. Therefore, after placing an order with a supplier, the entrepreneur must establish storage at home or in a warehouse, and prepare to fulfill orders from customers.

Required Documents for Receiving

For receiving the shipment, the buyer will need the following documents in any scenario in which the goods change ownership, are transported, are inspected, or are involved in legal claims:

- **Bill of Lading:** The bill of transit between the owner of the goods and the carrier. The customer usually needs an original as proof of ownership to take possession of the goods from the carrier. The entrepreneur should make sure his manufacturer provides this document during the placement of the order.
- **Commercial Invoice:** The bill of purchase from the seller to the buyer, also used in processing customs duties. Countries may have requirements on the type of form, its content, the number of copies, and the language to be used.
- **Packing List:** A detailed legal list describing seller, buyer, shipper, invoice number, date of shipment, mode of transport, carrier, and itemizes quantity, description, the type of package, the quantity of packages, total net and gross weight (in kilograms), package marks, and dimensions, if appropriate.

Sometimes, the buyer is also required to obtain the following:

- Certificate of Origin
- any business licenses or certifications

For more information on the necessary forms for receiving shipments from an Asian export partner, we recommend the following official resource, which provides definitions and samples of common import documents for the United States, but are generally similar across different countries of both import and export. [<http://www.export.gov/logistics>]

Import Agents

Additionally, it is important to work with a 3rd party import agent, especially on the first order. Agents will have information specific to the destination country, port, and transport route than could ever be covered within the scope of this book. There are various ways to find agents.

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- **Shipping by air:** Use a Chinese agent, arranged by the manufacturer. Check rates online through a major provider ([DHL](#), [UPS](#), or [FedEx](#)) and compare them against a detailed expense sheet (cost per pound) and extra hidden fees suggested by the supplier.
 - **Shipping by sea:** Use a freight forwarder local to your country by searching for “shipping agent + [my city or port]”. Holding goods in the port will result in exorbitant fees.

Storage & Fulfillment

Amazon Fulfillment [<http://services.amazon.com/content/fulfillment-by-amazon.htm>] offers warehouses and end-to-end fulfillment services that can both store a stock of products and dropship directly to consumers, but the service comes with a cut from revenues.

Popular storage location solutions for first-time entrepreneurs include a home garage rented storage unit. The latter can be found through a simple Google search.

Dispute Resolution & Troubleshooting

If items weren't delivered or arrived in poor condition, the entrepreneur's best protection is the Alibaba platform. Screenshots, emails, recordings, and documents are all pivotal to the entrepreneur's protection.

If cargo is damaged, double-check coverage terms of shipping insurance and do the following:

1. Document the damages with photos and communicate the incident to the personnel at the receiving port.
2. Calculate the damages incurred by the packaging and product, and compare to the total invoice value.
3. Send documented materials to the insurer.

3. PRODUCT SALES AND BEYOND

Due Diligence

Alibaba Trade Forum [<http://buyer.alibaba.com/forum>] is a great place to ask specific import-export questions to experts and Alibaba staff.

Alibaba Trade Intelligence [<http://buyer.alibaba.com/intelligence>] offers world-class trade reports sourced from international Chambers of Commerce, the Alibaba trade team, and top consultancies. They are often available for free, and provides business owners with resources to deeply understand specific customer types (e.g. upper class Chinese consumers) or particular products (e.g. industry-grade pipe fittings).

Tariff Schedules & HS Codes provide the entrepreneur with information on additional overhead associated with the transport of goods between countries. Goods shipped overseas will most likely be charged a tariff in the entrepreneur's home country. To understand these costs, the entrepreneur first searches tariff schedules by product and country, by HS (Harmonized Shipping Codes), which can be found at [<http://hscode.org>]. Then, using the HS Code, the entrepreneur can now search the World Trade Organization's Tariff Data page to download listings of fees at [<http://tariffdata.wto.org>].

For example, the entrepreneur may decide to search for, say, plastic cases, under the HS code heading of "With outer surface of plastic sheeting or of textile materials." Finding the code 420232 aligned with this category, it's not easy to find the per unit export price of these goods through the WTO.

Selling

Shopify [<http://www.shopify.com>] is a popular eCommerce website building platform for online distributors. In exchange for a monthly fee of 15-30 USD/month, Shopify offers an online store that is simple to setup without special technical skills, and has respectable rankings in searches on Google and other search engines. Shopify also comes with thoughtful additional features for shop owners, including "app integration" with suppliers. With a simple search for "t-shirts," the entrepreneur can choose from a list of popular and vetted drop-shipping partners to begin sales immediately and validate a business idea. The extended list of such additions is found on Shopify Apps [<https://apps.shopify.com>].

Magento [<http://magento.com>] is an eCommerce web platform estimated to power 30% of online storefronts of the Internet. It supports web design templates for ease of setup, is free to download, and offers extensive customizability, although it does require more technical skill and patience than turnkey solutions like Shopify.

Learning

Practical ECommerce [<http://www.practicalecommerce.com>] is host to dozens of contributors, hundreds of tools, and aggregates the knowledge of seasoned eCommerce entrepreneurs. It's an authoritative portal on all things related to eCommerce.

A Better Lemonade Stand [<http://www.abetterlemonadestand.com>] is a popular independent blogging community that offers practical advice for starting and growing an online business (mostly focused on eCommerce). It offers incredible detailed tactical advice, especially for drop-shipping businesses.

ECommerce Fuel [<http://www.ecommercefuel.com>] hosts courses on business setup, a highly active eCommerce online community, and in-person gatherings.

**CULTURE PRIMER:
ASIA 101**

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As expected, the behaviors and mindsets of people in Asia can be a drastic departure from those assumed of people in North America or Western Europe.

While we intend to provide a sufficient introduction to culture in Asia for business owners, the “bird’s eye” perspective in this guide absolutely cannot and does not account for the vast individual differences among the combined 2 billion people in China, South Korea, and Vietnam.

China is home to brilliant individualist artists in the same way Vietnam is becoming a booming startup hub for innovative technical projects, all despite cultural norms that wouldn’t normally serve as the ideal environment for this type of development. For every generalization in the following sections, there are many exceptions, but with centuries of culture behind these norms, readers can discern the general trends in a population.

THE BROAD STROKES: GENERAL CULTURAL DYNAMICS IN ASIA

The following rankings of China, Vietnam, and South Korea on various measures of culture are gathered from years of population survey studies on each of these three nations, with comprehensive “Society Models” reports made available by Geert-Hofstede [<http://geert-hofstede.com>]. We include excerpts of descriptions to demonstrate each cultural concept.

Asia ranks high in **power distance**, in that the members of society both expect and accept an imbalance of power among members in organizations, be they political, corporate, or filial. China enforces the most clearly defined hierarchies, followed by Vietnam, and finally South Korea, which has more flexibility in leader-follower relationships.

“People in China, Vietnam, and South Korea observe a strict chain of command and clear protocols between them, with privileges earned by those higher in command. Employees show respect and deference to their superiors in exchange for protection and guidance. There is a deep respect of elders, especially in positions of authority - who sometimes retain these positions despite lack of qualifications.”

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Low **individualism** creates a more interdependent society, with personal identity established in the form of “we” from groups of association (workplace, friends, family) rather than “I”.

“All three cultures have a deep, long-term commitment to their member groups, and their families above all. Social cohesion overrides most social and business priorities. Confrontation and denial causes embarrassment and loss of the social credit of Face, which is a matter of deep shame in Asian societies.”

Most countries in Asia rank lower in **masculinity** (e.g. competition, achievement, success) than countries in the West, where the drive to be the best can start as early as childhood. In contrast, “feminine” societies emphasize interdependence and quality of life, with low value on competition.

South Korea and Vietnam rank low on masculinity, emphasizing stability and leisure over assertiveness by individuals. Meanwhile, China ranks higher in masculinity, meaning the Chinese may behave more competitively and communicate more directly during business negotiations.

THE CLOSE AND PERSONAL: A SLICE OF LIFE IN CHINA, SOUTH KOREA & VIETNAM

Reading general descriptions of cultural dynamics is, of course, hardly the same as experiencing them first-hand. For a business owner from North America or Europe, imagining the lives and motivations of people in Asia may be difficult, making understanding and empathy for the person on the other end of the negotiating table nearly impossible. For that reason, we provide two stories to serve as snapshots of lifestyles commonly experienced by citizens of China, Korea, and Vietnam, respectively.

The lifestyles of the Chinese, Vietnamese, and South Koreans exude similar value systems: the emphasis on friendly competition, education, hard work, and close ties to family. Meanwhile, the biggest differences in lifestyle across these countries (and among citizens of the same country) can be encapsulated in the context of two groups: urban-dwellers and rural-dwellers.

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For a nuanced understanding of each country, read both lifestyle snapshots, urban and rural, and adapt them to each country's population accordingly. For example, South Korea has a limited rural population, with most people reflecting the Urban Living example, while a large proportion of Vietnam's population live in rural environments. China falls in between the two extremes, with a population of roughly 50% urban and 50% rural-dwelling.

Urban Living Snapshot: Life in China

Within 2 hours' drive from the heart of Beijing, Wang Xiuying (China's most common three-character name) is born as the first and only son of a middle-class, white-collar Chinese family. Xiuying's father works as a professional accountant and was formerly a schoolteacher. Since his birth, Xiuying's mother takes the next few years off from her career to raise her newborn son at home.

From a young age, Xiuying studies hard in a local school, the admission to which is rather competitive. He often spends 12 hours a day studying in the months leading to the grueling pre-college entrance exams, the "Gaokao." When not studying, he is eating a home-cooked dinner or sleeping, before another day of the same routine. He rarely finds occasion to fool around with friends, most of whom he meets at school.

Supported by hard-working parents, Xiuying studies diligently and performs well enough on the Gaokao to win placement at one of China's top 25 universities. While he dreams of studying abroad in Europe or the United States, the cost of a foreign education is simply too great for his family. As a difficult compromise for a family who has been used to having him in close proximity, Xiuying chooses to attend a good school in Shanghai.

After settling into a newly rigorous study ritual in higher education with a major in an in-demand technical trade, Xiuying and a pretty girl studying at his university catch each others' eyes. As it turns out, they have common friends, like some of the same books and movies, and are both from the Beijing area. After a few weeks of friendship and small group dates, Xiuying and his admirer decide to enter into a relationship - Xiuying's first serious romantic commitment - with the implicit intent to build a long-term bond, and transition to marriage before they reach age 30.

After graduation, Xiuying is lucky to beat out several college graduates in the country in obtaining an entry level position at a top 5 engineering firm - with a

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recommendation from an enterprising uncle on his mother's side of the family, as is common. The job offers a fair wage, job security, the prospect of a long career, and aligns the family name with a long-lasting global brand. All of these are not just signs of prestige, but facilitate Xiuying's ability to enter into the next phase of life: the purchase of a home, then a car, and finally - with physical proof of his success - asking for his girlfriend's hand in marriage. With this in mind, Xiuying plans to work with his company for as long as 10 years unless he receives a radically better offer elsewhere that will help him accelerate this process.

During this time, Xiuying has seen China grow around him continuously, and is optimistic about his place in this prosperous country. He finally has a chance to have a little fun, buy nice things, and connect with the people around him. He's not hesitant to spend money on entertainment, clothing, and consumer goods even as his parents urge him to grow his savings.

After a few years of work, Xiuying is driving his own Mercedes and - with the generous help of his parents for his 26th birthday - he's just a year or two away from purchasing his own home near Shanghai. That'll truly be a rare pleasure, and he has his years of hard work with his company to thank: for his dedication as an employee in Shanghai, he has been able to secure the much sought after "Hukou" (residency permit for a particular region of China) for Shanghai, allowing him to make the vibrant, cosmopolitan city his home. With the savings of these years of work now invested in a car, a new home, and now a ring for his college sweetheart, Xiuying brings his wife-to-be their new home and, after years of being together, proposes. It's one of the happiest and most perfect moments of both their lives: a happy, tearfully joyful "YES!" They've done it, they've finished their nearly three decades of sprinting against China's booming society and have built what will be a comfortable life.

Soon after a grand marriage ceremony, with the support of the savings on both sides of the family, Xiuying and his wife plan to have a child within the next year, and start saving for the child's success from the day they marry. After the birth, the next 18 years is, for the father and mother, a continuation of the sprint to success, with the focus on empowering their child to become even more successful than they have been. Why? The continued generational accrual of success will bring honor to the entire genealogy, strengthen all of Chinese society and - in a true nod to collective societies - it's what's expected.

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As with life in the Western middle-class, life in China is rewarding and satisfying in its opportunity for a predictable and happy outcome while sometimes failing to fulfill. When Xiuying achieves stability in his life, career, and inner circle of relationships (parents, wife, in-laws, children, boss, co-workers), his imagination begins to wander.

In consuming global products, he also consumes global ideas. With the rise of Internet use in all parts of Chinese life, Xiuying's mid-30s is a time of curiosity about life beyond the status quo. Like most educated Chinese, he pines for an elusive "more" that cannot be satisfied with more money or more stability. A few of his peers start to seek to become global citizens, grow personally, find venues for expression, and establish themselves as individuals. But like most of his co-workers, Xiuying becomes bored with his routine, and his usually rigid habits and beliefs become more flexible - including his ethical standards.

In the years he has worked at his company, he has observed older colleagues doing a mediocre job and never understood how they could get away with such lousy performance. Approaching their age, he's now in on the game: the managers and older employees are not likely to lose their job, as long as they don't rock the boat - so what's to motivate him to struggle so hard? Xiuying has done his time, and now has earned enough seniority to spend his days with greater leisure, drinking tea, reading the newspaper, and doing just above the bare minimum. He's not likely to bring up anything too controversial at a meeting or try to change the system, lest he attract too much scrutiny or cause his superiors to lose face.

The true risk of disgrace, however, would come if he were to quit his job and pursue a personal project - unless it is a radical financial success. He would lose all the benefits of his hard-earned social prestige and might even face financial ruin, putting his family at risk. Strictly unacceptable. The status quo? A reasonable, well-regarded lifestyle, with greater ease and fun than before, a happy and secure family, and hope for his child's future success.

Past middle age, Xiuying now looks forward the chance to witness the birth of his grandchildren, time golfing with friends, the occasional drink, and the annual tradition with his wife: a trip to an interesting but familiar destination, like Hong Kong, where the family can do its best shopping all year. Xiuying remains wary of the government, corporations besides his own, and even other Chinese people outside of the family - though he is curious and usually optimistic about making foreign

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friends to expand his worldview and social circle. Nevertheless, Xiuying's overall modus operandi at this stage of life is to keep things as they are, while minimizing effort and maximizing the comforts of a middle-class life.

Rural Life Snapshot: Vietnam

Bui Duy Binh is born in a farming village a few hours outside of Hanoi, quickly becoming infamous in his village for his curiosity streak. From a young age, he is known as part playful adventurer, part prankster in his town and school - just as his two brothers and sister had been when they were the youngest of the family before Bui Duy's birth.

The farming communities in the area are tied closely together, for good reason, considering the collaborative nature of rice farming required of traditional irrigation techniques. Approaching 12 years old, Bui Duy's life is a prime example of the old phrase, "It takes a village". He has learned his best life lessons from sitting around with his neighbors while they lounged about and played hand-made instruments. One of his biggest punishments also came from a neighbor, before his own dad also gave Bui Duy a hard lesson about not starting little fires around the house. The world in Bui Duy's village moves very slow, but news travels very fast by word of mouth and each family looks out for the next.

At school Bui Duy loves playing with the other kids and wetting his hands with finger paints enough to sit through some of the more grueling math and English lessons. While school isn't close to home, the classmates from wealthier families ride mopeds to school and often Bui Duy is taken along. Meanwhile, his dad only has one moped for the family. It is usually used by Bui Duy's older brother to fetch supplies and bring goods to market from the Binh family farm, where their rice is grown on a wide plot. When the family moped is not in use, Bui Duy's other brother will use the moped to give rides around their village or a nearby city, serving as a bike taxi. Bui Duy's brothers and sister have received a basic schooling during their childhood years, but began working on the family farm and some side jobs as early as they could to earn money for the family. Bui Duy is the only one still going to school, but he comes home at noon because his school only has enough staff to teach each child lessons for half of a typical school day compared to urban regions of the country.

One day, when Bui Duy comes home for lunch, he's in for a surprise: this season, he needs to join the family's planting and harvest work. Bui Duy is not exactly thrilled about the prospect of fatiguing farm work instead of sitting in class and learning

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English. He has a natural command of the language, and figures if he learns enough English, he could work a city job and earn even more money for the family than he would from helping on the farm, or least teach others English. Nevertheless, the family urgently needs him to help in the fields. “You’re strong enough,” his dad says, “you’ll be very useful.” His dad has shown him how to plant and pick rice for years, and it’s almost time he put his work to the test. After all, Bui Duy is lucky, and his parents have not spared a moment in reminding him of the fact. His parents lived through three wars before the 1990s, with China, then France, and finally America. Having been born in the 90s means Bui Duy avoided the worst of the chaos and violence. Since the onset of extensive government and economic reform in Vietnam, he can watch his favorite soccer team (Manchester) on his neighbor’s television, rather than a limited program of local propaganda and war broadcasts.

As he spends his first of a few years working with his dad and brother in the fields, Bui Duy saves money to buy copies of English teen media, nurturing his passion for English language with monthly magazine issues. From reading magazines, he enjoys a sense of novelty and excitement, in contrast to a village life that is mostly routine from day to day, while also gaining a rare and valuable skill for the village. Over the years, his dad’s back problems begin to worsen from the grueling farm work, so he transfers more responsibility onto Bui Duy’s brothers. The family doesn’t have enough money for treatment, so Bui Duy begins spending evenings on a second job, teaching English to village children using the language skills he has learned from years of reading English media. Before long, he is tutoring a handful of kids in exchange for the neighbor’s fruit, cooked food, and the occasional handful of Vietnamese Dong that can contribute to affording expenses for his dad’s back treatment and gas for the moped.

For the next few years, Bui Duy works with his family on the farm until the eldest brother takes over its operations, while the middle brother trains for a hospitality role in the city to earn more money for the family. For Bui Duy, his passion lies in his community, the English language, and the craft of teaching. Luck would have it that, right as he turns 21, he meets an attractive young lady he’ll make his wife: the older sister to one of his students. She’s charmed by his caring attitude for the youth of the village. Although they don’t have a lot of money for the wedding, the ceremony turns out to be the most extravagant one yet in town, with the whole community graciously contributing funds to make it an occasion talked about for years after.

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Bui Duy continues to be rewarded for taking on the role of a valuable provider for the village: At age 24, he receives the greatest gift he has known, besides the marriage ceremony: dedicated space for his lessons, offered by the father of his first ever student. If he would not take over the farm, he could now follow a dream of bringing the things he taught himself to his community. It's around this age, driven by the promise of bringing comfort to his mother and father, as well as securing a future for his own wife and future children, that a driving ambition takes over Bui Duy.

China offers three paths to move beyond village life. The first is to become entirely dedicated to academic study, and compete fervently to succeed on the "Gaokao" college entrance exams. The hope is to gain admission to a good college through one of the very limited spots reserved for rural test-takers. Education at a top university would virtually guarantee a comfortable, high-paying white collar job in a major city, and bring prestige to Bui Duy and his family. A second option would be to find a blue collar job in the city using his English skills as a differentiator among other job candidates from rural areas. Like his brother, he might move to the city and find a service job, share a bed with a dozen fellow workers at night in a packed house, and come home to the village during major holidays. The benefit would be to earn two or three times more than the earnings possible at home. Last, he could launch his own business, becoming a new competitor in one of the world's most ruthless small business environments. All three paths are common for Bui Duy's peers, because it seems simpler and more financially rewarding than picking rice grains at home.

As Bui Duy considers his own situation and preferences, he comes to a few conclusions. Given his years off from formal education and the status of Vietnamese academics, the Gaokao testing and university route is not the most practical opportunity for Bui Duy and his family-to-be. And, while he respects his brother for choosing to slowly move through the ranks at a company as a service worker, Bui Duy prefers a different trajectory. From the years of building a small teaching practice, he has developed a particularly enterprising spirit that is well-suited for owning a business. In this way, almost by accident, his original "side job" of teaching English leads Bui Duy into entrepreneurship as his chosen trade.

At 28, Bui Duy has saved enough to fill the entire classroom space with desks, and has learned enough about a broad range of topics beyond English to call himself a teacher. Every morning, the classroom is full of students, and he becomes a much-loved local community leader in education. Meanwhile, Bui Duy's father has retired

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from farm work. While his health has deteriorated after a lifetime of hard work and stress under dire circumstances, he is now enjoying the life that Bui Duy himself will enjoy after another 30 to 40 years of teaching. His dad will enjoy the company of old friends over board games and cigarettes, the sound from playing his hand-made musical instrument in the morning, and quality family time over dinner whenever possible. Bui Duy's middle brother has moved to the city to work in hotels, and sends money occasionally for Bui Duy's school, their father's health, and mothers' kitchen needs. The brothers visit one another occasionally, complimenting each other on the lives they've built, though there is still much to accomplish in their lifetime. The eldest son is now responsible for the farm, and the entire family still comes back during harvest season to pitch in.

Now in his early 40s, Bui Duy has a son and daughter of his own, each of whom he has been providing the best education he can offer. In addition to his own teachings, he arranges additional tutoring for them in math, science, art, and music. Bui Duy wishes for his own kids the opportunities he didn't have readily available: a chance to grow into well-educated young adults with a bright future in the cities. He, too, thinks of visiting Hanoi nearby, and takes one of his first vacations to see more of the urban face of the country. In his 50's, he begins to appreciate more leisure time now that his business is steady and his own children are setup for success. As he enters a more reflective phase, his life is full of reading, leisure, and a deep sense of satisfaction.

Bui Duy's remaining years are ones of more learning, family, and community. His greatest pride comes when both of his children are accepted into top Vietnamese universities. Bui Duy has been saving for over a decade to make this dream come true. With each of his offspring receiving a reputable education and working a side job, he can expect to see them graduate and soon, marry. Thus, he and his family have completed the eternal cycle and brings Bui Duy his two greatest wishes: the peaceful success of having supported his family until their independence, and the birth of his grandchildren.

South Korea - Orderly Urban Majority

The majority of South Korea is consists of an urban or suburban population, with citizens gainfully employed within large organizations. The country generally mirrors the mindset and lifestyle illustrated in the "Urban China" story. Meanwhile, the rural South Korean population holds little influence in popular culture nor market trends in the country.

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South Korea is similar to China in its cultural emphasis on a strong work ethic, in addition to the pragmatic use of shortcuts when there is a way to save time and money. South Koreans continue to work more hours than citizens of any other country, according to global rankings, but productivity in South Korea is not assessed by end result, but rather time and effort spent on a problem. South Koreans view life with cool calculation, caution, and a serious attitude at most times, but push for small personal victories and opportunities for status when possible. This can be seen in the popularity of high-end designer products, starting from college graduation. Such tokens of expression fulfill the desire for both personal enjoyment and success signal to others.

At the risk of oversimplification, many Koreans desire a more carefree lifestyle, but don't always have socially acceptable means to gracefully escape. For that reason, some rebel using the limited avenues available: partying and drinking dangerously, opting out of corporate life, or leaving the country altogether. Those who choose this more hardcore lifestyle find themselves unable or unwilling to fit into a very orderly South Korean social and career system, and might start rebelling between the teenage years and mid-20s. Those who do not break out of South Korean expectations tend to pursue career growth.

In South Korea, people are generally accustomed to change due to a school system involving frequent rotations of teachers. This, combined with the frequent shifts of government regimes, between democratic and autocratic rule, since the country's establishment in 1948, has made stability a prized benefit for any job and relationship.

As employees, South Koreans will work hard to meet the demands of superiors. As business owners, they work equally hard to satisfy their customers. As business partners, they will try to tackle the impossible and battle to fulfill demands until the end, but may also take on more work than is realistically possible. There is no clear "off" times from work, so work-life balance becomes more of a work-life blend. As with the Chinese, the South Korean mindset rewards overcoming domestic and international rivals through hard work. While there have been many benefits to this mindset, there is subsequently less focus than in the West on creating "win-win" situations in business.

As consumers, urban South Koreans expect a high-touch service when they interact with a business. For a business importing to South Korea, top-notch customer service

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is absolutely essential. A local call center is a starting point, and if used appropriately, may facilitate the voluminous product reviews South Korean consumers typically write for goods they use.

Vietnam - Entrepreneurial Rural Majority, Ambitious Urban Minority
More so than in China or South Korea, members of the older generation in Vietnam live and plan for the future, and focus on family, cultural traditions, and balance. They've been through a lot: three wars during their lifetimes involving political changes, army coups, and financial ruin. The world can feel like a hostile place to the elders of Vietnam, and the attitude is partly reflected by the ruling party in the cities.

Those of the younger generation are free-thinking and short-term oriented, placing more emphasis on material goods and status. They usually pursue progressive ideas but resort to more conventional ways when faced with challenging situations or times of uncertainty. To relax and enjoy life as a young Vietnamese man means to drink beer with friends, ride mopeds around cities and villages, dance at the occasional party, and keep an eye out for a beautiful life partner. For a young Vietnamese woman, a more responsible lifestyle is expected. The focus is on taking care of family, learning skills suitable for marriage and career, and building a trusted group of friends.

Despite major differences in expectations in social life between men and women, most Vietnamese youth are concerned with success and status, which can be gained through fame or fortune. To attain both, many start small businesses, and the level of hunger and competitiveness in the pursuit is stunning. Vietnamese entrepreneurs are not primarily concerned with innovation. Rather, the drive is financial, and if building a business isn't the most effective way to build a better life, the Vietnamese entrepreneur will just as readily pursue other career paths.

In contrast to China and South Korea, in which education is seen as the only fast-track option to a good life, Vietnam is a country in which formal education would only be practical for building a corporate career. Education in Vietnam, especially in rural regions, is not a core focus, because educational institutions are underfunded and understaffed. The absence of necessary resources in education has made many Vietnamese opt for direct, hands-on work experience in the pursuit of financial success and status. In this case, an ambitious Vietnamese will forgo formal schooling and either start their own business or begin work for another business as a junior staff member and progress upward in the organizational hierarchy.

China - Stability-Seeking Urban, Pragmatic Entrepreneurial Rural

Typically, urban-dwelling Chinese are focused on socially approved venues for achieving success, with smart shortcuts where appropriate to get there faster. The Chinese approach life with a sense of competitiveness, from the very first day of schooling, but the definitions of success are slightly different for the rural Chinese and urban Chinese. Urban-dwellers are competing for prestige and honor for the family through a respectable, stable career and family life, while rural-dwellers are competing for money and the ability to provide financial security to their families.

City-dwellers in China are finally finding themselves living in comfort and freedom, for the first time in generations. This means they are able to design a comfortable lifestyle based on financial stability and relative abundance. With the best opportunities in education and career available, urban-dwellers aren't placing much emphasis on entrepreneurship, which would mean a life of risk and instability, something that the older generation wants to avoid, even if it means forgoing the opportunity for massive riches in the long term. Instead, the urban Chinese pursue leisure in their lives through strong and plentiful friendships, occasional travel, and consumption of high-end goods. They remain closely tied to their families during this transformation, however, and remain faithful to the work their parents have put in to create this opportunity. Stability rules.

While rural Chinese value stability in family life, they tend to have a stronger entrepreneurial spirit and higher risk tolerance than their urban counterparts, because there is so little to lose. Enterprising and ambitious in business, the rural Chinese entrepreneur is constantly networking and making deals. Such an entrepreneur moves quickly, with the unique aggression of one fighting for his or her family's financial advancement.

While the urban dweller seeks to maintain a stable pace of life, the rural dweller is ruthlessly striving for the highest possible gains. In this sense, Chinese rural-dwellers are worthy economic rival to urban-dwellers, and the Western entrepreneur can expect to encounter both during the process of building business partnerships in China.

AN OVERALL VIEW OF LIFE IN ASIA

As can be seen from these perspectives, the mindset of people in Asia isn't a set of characteristics applicable to all 2 billion people, but much more nuanced. In the best and worst of times, competition for resources, products, and services in China, South Korea, and Vietnam create a pulsating force of social growth.

In a good year, the population can be swept into prosperity by rapid transformation, a growth of wealth across all social classes, and greater access to information and technology in places where previously little existed.

In a bad year, the population can become jaded and guarded against a system they are convinced is systematically corrupt, angry at the rates of income inequality despite the growth, and grieve the state of human rights and privileges specifically in China and Vietnam.

The result can seem two-faced: these societies experience celebrated cumulative progress on a social level, but on the individual level it will mean shortcuts are taken, out of a desire for self-preservation. On the individual scale, the feeling is, "if you aren't winning over someone else, you're losing."

In all three countries, we observed traditional entrepreneurship and family businesses as powerful economic entities that function much differently than technology startups common in Silicon Valley. The traditional entrepreneurship in Asia involves everything from opening a shop or cafe, running a service business, or managing an online property. Entrepreneurs, in Vietnam and China especially, are less focused on being innovative, and much more focused on creating profits. After all, being perceived as intelligent or creative is not as valuable in Asian society than being known for an ability to provide well for one's family.

In general, when the needs for a stable and content life are fulfilled - a good career, a happy family, and an honorable namesake - the people of China, South Korea, and Vietnam alike become so non-competitive as to seem almost casual. But, until stability is in sight, life is a sprint.

COMMUNICATION FOR BUSINESS IN ASIA

Cultural Dynamics in Asia, Applied to Business

In business, the large Power Distance in Asia means decisions are typically made by individuals at the top of the hierarchy in an organization. Employees may not have the authority to make decisions that would substantially affect the business, even if they would like to, and directives from management may override agreements established with lower-level contacts. Special deals or discounts also require oversight and buy-in from managers. Therefore, negotiations are generally more effective when conducted at the highest possible point in a company's chain of command.

As China, South Korea, and Vietnam are Collectivist societies, group dynamics are not simply a matter of popularity. Rather, they dictate norms of behavior for each member of society. Foreign business owners should not expect an employee of an Asian company to offer a special, secret deal (unless it is part of a rehearsed negotiation tactic). They should keep in mind that employees in Asia are most committed to their jobs, managers, and coworkers, above others.

People in Vietnam and China have historically enjoyed some amount of risk, but South Korea ranks very highly in Uncertainty Avoidance. Suppliers in China and Vietnam may more willingly work on an unproven product or entrepreneur, while South Korean suppliers may require more persuasion as to how a business owner plans to succeed and ultimately help reach the supplier's business goals. Compared to partners in China and Vietnam, South Korean partners are more heavily focused on rules, contracts, precision with quality of goods, and punctuality in delivery time.

Business Mindsets and Attitudes

In addition to rankings on power distance, collectivism, uncertainty avoidance, and masculinity, our research found the following mindsets and attitudes about business in Asia.

Success: A business person from Asia will often prefer to maintain harmonious relationships rather than achieve personal victory, which might slow down business or conflict with the goals of the Western entrepreneur. In Asia, relationships are used as a sign of success, with the most successful entrepreneurs and business owners investing heavily in the practice of initiating new relationships and maintaining

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existing relationships. Success is generally defined as the outcome that produces a positive outcome for the in-group, usually the company or family unit.

Business and Friendship: In Asia, business agreements are usually established following an extended series of leisurely activities, which can include meals, golf, “KTV” (karaoke), drinking, and the meeting of one another’s family members. While foreigners can expect the process to be somewhat expedited for them, they should still prepare for minimal distinction between “business” and “friendship”.

Management: The best analogy for the manager-employee relationship in Asia is the parent-child relationship. The manager protects, trains, and leads employees towards a higher level of success collectively than each might achieve individually. In exchange, the employees are expected to reciprocate with respect, loyalty, and obedience, while building friendships with their peers. As a result of the power dynamic, business owners in Asia tend to micromanage their employees, while subordinates rarely voice conflicting opinions or concerns. Last, employees are expected to be early to arrive and late to leave, often staying at work past 8 hours if the manager is still in the office.

Modesty: The act of openly sharing individual successes and achievements in Asia is seen as an embarrassment. Modesty is valued even among the most successful people, who will often discredit themselves and credit their teams rather than speak of their individual contributions. Meanwhile, this cultural norm doesn’t seem to apply to the boasting of a group’s abilities. For example, factory owners are known to make extravagant claims of their company’s ability to manufacture a product, only to fail to produce the expected quality of goods when requested. So, while businesspeople may discredit their own abilities, they may also overstate the abilities of their company.

“Face” Demystified

Asia’s group-centric culture has another currency besides money: “Face.”

While Face is not very different from Western concepts of social status, respect, and dignity, the concept of Face in Asia comes also with a set of expectations for social hierarchy and ledgers of favors.

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Face can be innate, or earned. Innate Face can be immediately apparent upon introduction: family ties, inherited wealth, a high-paying or prestigious occupation, and seniority in age.

Earned Face comes from respectable behaviors: conversing intelligently on a wide variety of topics, hosting social events and paying for guests, conspicuous consumption of premium goods, friendship with a respected individual, speaking positively of superiors, and generally elegant manners at dinners and events. Similarly, the opposite behaviors can cause a loss of Face for an individual. Because of the way Face can increase and decrease over time, it is analogous to a bank account balance.

Face and wealth are often correlating marks of influence, power, and Face. Of course, exceptions exist: the village elder may be deeply revered but penniless while the son of a tycoon might be wealthy and vilified.

As people in Asia tend to place emphasis on living in accordance to social expectations, breaking too far from the mold (e.g. failing in the early stages of building a new company) can cause a loss of Face that often discourages individuality and non-conventional behavior.

Starting off with the common Western attitude of “I don’t care who you are,” will make a foreigner few friends and partners in Asia. Instead, foreign business owners are advised to publicly compliment individuals deserving of respect, and to avoid public disagreements or jokes at any person’s expense.

**CULTURE GUIDE:
NEGOTIATION**

NEGOTIATION STYLES

Negotiation is the norm for China, Vietnam, and South Korea. Despite recent decades of communism in some parts of Asia, a strong trade culture pervades. For example, China has been one of the world's greatest centers for barter and commerce, and negotiation runs deep in the blood of almost every Chinese. Children grow up watching parents haggle for the freshest vegetables and often help with the family business, becoming familiar with managing clients and expectations from an early age. Negotiations are a part of everyday life, and almost any detail can be a point of negotiation.

Therefore, business in Asia typically starts with the expectation that the starting cost is an invitation to a negotiation, and each country comes with its own style and expectations for negotiation.

The Chinese are calculating negotiators skilled with using both emotion and logic to gain margins, a penny at a time. Expect the negotiation process with Chinese partners to take the longest of all, before both parties can reach a satisfactory agreement. This is because most of Chinese negotiations are mostly a facade. The real deal is usually settled behind the scenes, invisible to most.

A Chinese negotiation begins with pleasantries, often following a longer friend-making period preceding getting to business. Tough words and even some confrontation or emotional outbursts gradually get increasingly common during the discussion, though they are usually orchestrated to create emphasis or affect your emotional state rather than being genuine. As a deal starts to develop with the real decision makers, the storm calms and harmonious language, mutual respect and congratulations become the conversation standard.

South Koreans approach each negotiation as a chess game, and intend to edge out an advantage to seize victory. They are rational and effective negotiators, moving much faster than those in China or Vietnam. South Korean negotiations are usually treated as a zero-sum game, with an expected victor, rather than a search for win-win.

Koreans like to begin by creating rapport and lowering the opponent's guard before launching into level-headed but intense bargaining to get things started. As the negotiation baseline is set in this second phase, points of resistance are noticed and, next, procedurally deconstructed or bent to fit through elastic truth. A buyer is likely

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to hear the good news or the things that “could” be true about the situation (like delivery times). Plausible believability is South Korea’s strongest negotiation weapon, with much of the conversation being spent talking in the context of all things going perfectly well for the business through the partnership - which will simply not be realistic in practice. As soon as agreeable details are reached, South Korean partners might want exclusivity agreements, and use this to stall or refuse the final agreement. This is but a tactic, with South Korean counterpart actually being very adaptable up to the very end. The expert advice is to press for what is needed and threaten to leave (calmly) to be taken seriously.

The Vietnamese can be emotional bargainers who negotiate in groups and examine outcomes from every possible angle. They are accustomed to tedious bureaucratic processes, which will set a slow pace for negotiations. Negotiations can pick up after a week or more of silence that, if done anywhere else, would imply the deal fell apart.

The start of a negotiation will come with a show of hospitality and goodwill, including dinner and drinks (at least) for in-person negotiations. Hospitality doesn’t come cheap, though. Small invitations to consider weakening your position ahead of time will be part of the visit. Once the negotiations begin in earnest, the Vietnamese can switch effectively between, first, a passionate, verbose, and demanding state to voice their ideal needs and second, a deferential, withdrawn state during which they hope to be capitalized on their requests by having the opponent make them new offers and re-engage in the debate. As in China, decisions in Vietnamese negotiations will also be made behind the scenes, with bureaucracy and hidden decision makers pulling strings in varying directions. Going to the CEO or manager is important, as it will eliminate much of the communication overhead.

For all three countries, our research reveals a pattern. Managing expectations is an act of patience with a partner in Asia. Negotiations are a long, drawn out process, and some know to take advantage of Western impatience. Business owners in Asia use time as leverage to gain an advantageous negotiating position. Whether it’s keeping someone waiting on the phone to make them impatient, or “accidentally” missing deadlines to twist arms on price, silence and delays are negotiating strategies a foreigner should be prepared to face. In Asia, no news may not necessarily mean bad news.

NEGOTIATION RECOMMENDATIONS

1. *Prepare for Negotiation*

- Research industry standards for costs, production times, shipping, and delivery schedule for the product. If no existing data is available, contact a second-tier factory to ask questions about the variables before negotiating with a top choice manufacturer. Mentioning a potential deal with a competitor or suggesting they would be able to fulfill an order at better prices would be a powerful negotiating tool.
- Offer a high initial investment. If possible, a large amount of initial capital is one of the entrepreneur's strongest negotiating positions. Investment amount will be mirrored by the supplier's level of interest in investing time and energy into the entrepreneur. For example, if the entrepreneur offers to buy the mold or casing for the product, the supplier understands the entrepreneur is seriously considering a long-standing partnership.
- Prevent but expect delays. To combat any use of intentional delays to force less favorable terms, the foreign entrepreneur should communicate with multiple suppliers at the same time to use the threat of competition with the primary trade partner. Communicate politely that business will move elsewhere if the partner fails to meet reasonable deadlines. Meanwhile, still expect to spend twice as long as expected in all communications, and plan to push delivery deadlines, especially on custom goods. Although suppliers who demand a lot of time may seem mean-spirited or incompetent, they may be hinting at a desire to negotiate.

2. *Mind Everyone's Face*

Whether an entrepreneur is speaking to a low-level sales agent, or the middle manager, or the final decision-maker, Face is an important part of negotiations. It's a safe assumption that the higher the rank, the more sensitivity there is to Face.

In Asia, negotiations involving foreigners are especially challenging. At stake is not only the Face of the individual as a savvy business person and the reputation of the company. Rather, it is a matter of national pride for to be "outsmarted" by any foreigner.

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When deals turn sour in Asia, it is most likely due to an irreparable loss of face.

In **China**, an embarrassed or insulted negotiator commonly turns extravagantly emotional. With a foreigner, s/he may become quiet and unengaged. A common tactic is to drive away a deal they are no longer interested in pursuing by demanding absolutely unreasonable terms until the foreigner exits the negotiations. Otherwise, the Chinese negotiator will become unresponsive and cut off communications.

In **Vietnam**, a deal-breaking loss of face usually manifests as a major increase in politeness aimed at ending the conversation quickly and retreating, with little follow-up contact.

In **South Korea**, the response to loss of face is the most mysterious of all. If a business owner loses face during a negotiation, even for a lucrative agreement, he or she may act as if nothing has changed, yet the moment the meeting ends will be the last interaction, and the other side will never hear from them again.

In any of these cases, it would be difficult to return to negotiations again. Should this occur, the entrepreneur should find another partner. For prevention, the recommended approach for foreign entrepreneurs is to make it more honorable for the Asian business owner to partner with the entrepreneur than it is to brutally defeat the entrepreneur in a negotiation, by:

- Stressing the desire for a long-term relationship.
- Sharing detailed plans for growth.
- Showing high demand in a customer segment the Asian supplier has not yet served.
- Indicating potential for future trades with members of the foreigner's social network.

In this way, the dynamic of Face exchange shifts from the Asian supplier gaining at the foreigner's loss, to a situation of gaining when a deal is created to benefit both parties. The supplier's accomplishment should be to have gained a valuable business relationship, putting the company in a position to earn more money and thereby make his boss (or his employees) happy and secure.

3. During Negotiations

- Do not accept the first offer. Almost every time a first offer is given, it serves as a test of where the other party stands. More than that, it's also an anchor: the partner hopes to start the negotiation on prices and terms skewed in their favor. It's not uncommon to undergo three or more counteroffers in the process of coming to an agreement. A reasonable aim is to end with the initial price reduced by 10-20%.
- Communicate simply. As English is not the first language of most suppliers in Asia, the goal in communications is to ensure clarity through the use of simple words, excruciatingly specific and explicit messages, and frequent confirmation on points of agreement. Always be clear by using small, simple words. Eliminate slang words that may be unfamiliar to the partner (e.g. "yeah") and idioms (e.g. "it's a piece of cake", "that costs an arm and a leg").
- Plan for small concessions to gain big wins. A major arrangement may go beyond product, and include various terms related to quality assurance, shipping assistance, and air freight booking. In these cases, it's possible to overload the initial contract with small requests to use as concessions during negotiations. Giving allowances on less important issues may aid in gains on more important terms. For example, if a slow turnaround time is a deal-breaker, the entrepreneur could offer "compromises" on number of variations, packaging, or unit price. The key to effective use of small compromises is to act upset about them.
- Keep detailed notes. Have desired terms written out before each call in case emotions start taking over. Restate the terms with each discussion to clarify on understanding. Alibaba offers mediation services as protection in the case of any unexpected changes made to a contract. Record the results of each round of negotiation and keep them current in case the other side tries to move the argument back to a previous round of terms, or withdraw their agreements.
- Stay focused with strict walk-away terms. If the seller cannot meet the terms, leave the negotiation. As difficult as it can be, walking away in a negotiation can be one of the most effective tactics in winning favorable terms.

4. Seal the Deal

- Remember to save face for others. When an agreement is made, refrain from showing too much satisfaction. Showing mild dissatisfaction communicates that the other party “won” the negotiation, thereby winning them Face. Chinese and Korean partners aim not for a win-win agreement, but a begrudgingly fair deal through a series of small concessions, ending with hard-earned respect. In Vietnam, the deal tends to be equally tense, but when settled, ends with obvious and jovial celebration to officiate the partnership.
- Confirm terms with the owner or manager once a deal closes with agreeable terms. In most cases, the terms should already have been established in presence of all decision makers. Otherwise, confirmation is the final step of due diligence to ensure the terms are secured.

IN-PERSON NEGOTIATION RECOMMENDATIONS

Obviously, entrepreneurs should not expect to settle a million dollar deal during a 3-day tour of a half dozen factories. Each meeting will demand time for getting acquainted with the host and building mutual understanding before finally entering negotiations. It is advantageous for foreign entrepreneurs to use any pre-established professional networks in Asia, work with a well-connected local partner, or have the backing of a world-renowned brand. In lieu of any advantages, the Western focus on efficiency must make room for Eastern relationship-building customs.

Wining and Dining

As in most societies, deep trust in Asia is usually only gained through in-person meetings. The goal in these meetings is not to establish a better negotiating position, but rather to determine the extent to which the other side would like to pursue a business relationship. Meeting the potential partner’s friends, exchanging stories and cultural perspectives, consuming a meal together, and showing respect for their family are ways to begin winning the trust of a prospective partner in Asia.

The dark side of the process is that the meeting and dining can also come with drinking, smoking, and other vices (prostitution is not unheard of). Not that it is advised by the authors, but the truth is: flexible personal standards can result in more flexible business agreements.

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In **China and Vietnam**, female foreigners may find themselves at a disadvantage in the relationship building process, as participation in the vices is usually reserved for men.

In **South Korea**, foreign women are invited to the same drinks and smoke breaks as foreign men conducting a negotiation, and both are allowed leeway in the amount of alcohol they are expected to drink. A light drinker, male or female, would generally fare well in Korea when it comes to this approach.

Gift Giving

Outside of in-person interactions, gift-giving is typical for earning respect and showing appreciation for business relationships. Gifts that are rare and difficult to find in these countries, like a brand of liquor local to a foreign city, are very well received, and brand names are usually also given high worth.

In **China**, gifts are usually expected from business partners and associates, especially during the Mid-Autumn Festival and Chinese New Year (mid-February).

In **Vietnam**, gifts are usually exchanged during anniversaries of business partnerships and the Tet New Year holiday (between January and February). The simple Vietnamese rule: gifts for an individual should be given in private, gifts for all should be given after meeting the whole office.

In **South Korea**, gift giving usually occurs at milestones and helps maintain kibun - the maintenance of a comfortable state of mind and mood with one another. Gifts are commonly given in public during the first meeting, with the most valuable gift going to the most senior member. On receiving a gift, publicly or privately, South Korean almost never open them immediately. To be polite, South Koreans will belittle the significance and value of the gift they're giving as a way of implying that the recipient is worth a great deal more than the gift itself.

Decision Makers

The decision making process for companies in Asia varies by country.

In **China and Vietnam**, despite strict hierarchies, people prefer to work in groups, which may obscure the actual decision maker. Title, which can be learned during the initial exchange of business cards, and age seniority are good markers by which to find the leader in the group, though any employees may be part of the negotiation.

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In **Korea**, company associates typically sit together and all speaking is done by the senior member, who is occasionally handed notes of advice from junior members. The dominant communicator is likely the most senior member, but they may not be the decision maker at all, who may not even be present at the first meeting.

In any country, hone in on the final decision maker who can credibly commit to agreements on product, pricing, and delivery times. Provided you build a strong business relationship, you'll have an influential advocate for your business within the company for all decisions, which happen behind closed doors. After an initial meeting, request to speak to the decision maker directly, ideally in person. If possible, ask for an introduction from a trusted mutual contact and show respect by offering dinner and gifts as part of the relationship building campaign, if it is possible to forge a relationship in person. Meals and gifts are an integral part of establishing a respectful connection in Asia, and are in no way construed as a bribe. In person or not, remain in frequent contact with potential partners until an agreement is officially met in contract, or when the relationship is amicably terminated.

Negotiation as Life

In Asia, business owners are skilled and subtle negotiators who also enjoy the art and science of negotiation and usually span multiple meetings. If the entrepreneur is not able to meet her supplier in person, negotiation more most certainly be more difficult. In each of these countries, the other party wants to feel as though they "won" the better end of the deal to preserve Face, so prepare extensively and build strong bonds.

In China, Vietnam, and South Korea, gaining the opportunity to negotiate may require a relationship established over a long period beforehand. There is heavy focus on process over outcome, requiring an extended period of giving face, sharing information, and building the relationship rather than an immediate focus on terms for an agreement. The pace of these exchanges is therefore slower than Westerners are accustomed to, but the bonds created over the negotiating table are, in case of a positive outcome, usually ones of mutual respect and friendship. This is largely why businesspeople in Asia always expect to negotiate: many even enjoy it.

CONCLUSION

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With over a millenium spent on the craft of product manufacturing and trade, China, Vietnam, and South Korea are prime locations for building the foundation of an international trade venture.

Without sufficient preparation, however, such a business would fail to establish itself, due to an offhand comment that offends a supplier, or a miscommunication that lead to a shipping container full of faulty goods. The cultural differences between Asia and the West are to be approached with care, but having read this book, readers have the information needed to progress through the stages of brainstorming product ideas based on market needs, finding and evaluating suppliers, and negotiating terms, all in the context of adaptation to cultural differences between the entrepreneur and his or her partners in Asia.

SUPPORT

Building any business, and particularly a business that involves overcoming cultural and regulatory barriers-to-entry, is a journey best not pursued alone. For that reason, many of the stories of entrepreneurs interviewed during research for this book are available in recordings and written summaries on our website.

Included are also the experiences of entrepreneurs serving the Asia consumer market, such as Luxola.com's story of becoming Southeast Asia's largest beauty goods supplier, and PixelProject's journey from idea to domestic market dominance. The interviews can be found at [<http://GoToLaunch.in/interviews>]

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