



## Country Report: China

### China: Determine your niche

Singapore infocomm companies eyeing the China market will have to determine their own niche if they are to compete effectively against foreign multinationals (MNCs) and the fast-growing indigenous infocomm industry in the country. This was the advice given by Mr Tan Aik Bing, Director of the Infocomm Development Authority's (IDA's) Shanghai Office. "No doubt the market is big, but the competition is also very keen. It is important for our iLES (infocomm Local Enterprises) to come in with certain products or services in mind and then assess where they can position themselves in this space," he said.

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There are about 20 million people in Shanghai alone.

Shanghai alone has about 20 million people. Different provinces have different ways of doing things, and different cities within China have their unique characteristics. For example, some may be more infocomm-ready and more receptive to foreign enterprises entering their market, while others may be less so. By providing market information or identifying local partners they can work with, we help to shorten the learning curve for our companies," said Mr Tan.

This is important as competition can be very keen in the China market. "Many MNCs have set up shop and invested significantly in this market, so we will be competing with them. In addition, China has the ambition to build up an indigenous infocomm industry and in fact many of its companies have become global brands. Our companies will also have to compete with these players. This said, Singapore iLES have our strengths. In the eyes of the Chinese, Singaporeans are trustworthy partners and our products are high tech, high quality. There is a market for us if we can find our niche," said Mr Tan.

Localisation will be key to getting a foothold in China. iLES will have to localise – not just their products but also the mindset. Minimally, the language used in their products will have to be translated into Chinese, and the content and technology may have to be localised as well.

What may be less obvious is the need for iLES to "localise their thinking".

IDA's Shanghai Office was set up in July 2002 under the Consulate-General of the Republic of Singapore. Its main roles are to strengthen bilateral relationships in the infocomm sector, increase mindshare of Singapore's infocomm capabilities and promote Singapore's infocomm industry. The office acts as the intermediary between the Singapore and China infocomm industries and helps to build relationships with the government at the federal, provincial, and city level. The aim is to promote Singapore's thought leadership in eGovernment, and to build awareness of Singapore's infocomm capabilities in areas such as finance, transportation and logistics, in the China market.

To promote the Singapore infocomm industry, it works closely with the Infocomm Solutions Centre (ISC) and supports iLES by providing them with market information and facilitating partnerships. "China is a very big market.

"Singaporeans typically go to a business meeting, make a presentation and expect that the decision maker will say 'yes' or 'no'. Here, the gestation period can be very long, maybe more than a year. You need to figure out who the real decision maker is and work the relationships around the decision maker. It may not be the boss; it may be the assistant to the boss. These are things that you need to figure out on the ground."

And this is why setting up a presence in the market is so crucial. "It's important that companies have a physical presence here because of all the relationships that you need to build. If not, you will be seen as somebody who is not so serious. You will need to set up entity, put in some investment and have a track record in order to break through the market."

And not just any track record will do. Typically, an iLE will need a successful case study that is China-based. There are a few ways that companies can tackle this. One is to work with a local company on a successful project. "That is why we focus on building partnerships, so that we can break the chicken-and-egg problem." The other way is for iLES to follow their existing customers, for example, the MNCs, who are expanding into China. "Follow your existing relationships with MNCs into China and with that case reference, you can further expand into the market," advised Mr Tan.

### The IDA's Shanghai Office

Key roles:

- Increase mindshare of Singapore's infocomm capabilities
- Strengthen bilateral relationships in the infocomm sector
- Promote Singapore's infocomm industry

#### Contact details:

Address: 1038 Nanjing West Road,  
Westgate Tower 18-01, Shanghai 200041  
Tel: 86 2162178822  
Email: [info@ida.gov.sg](mailto:info@ida.gov.sg)

### Infocomm Solutions Centre

Set up by the Singapore infocomm Technology Federation (SiTF) with the support of IDA, the Infocomm Solutions Centre (ISC) serves as a first-stop, one-stop centre for Singapore infocomm companies entering the China market. The ISC reaches out to local infocomm business associations and societies in China and organises business missions for Singapore infocomm companies seeking opportunities in the country.

There are currently two ISCs located in **Shanghai** and Hangzhou. They provide business support services such as a quick startup office to help companies launch their operations in China, and also function as an extended "business development" arm for these companies, facilitating partnerships and helping iLES to source for business leads and potential partners. There are currently about 30 Singapore companies who are members of the ISC.

For more information on the ISC, email Mr George Yang at [george.ssc@sitf.org.sg](mailto:george.ssc@sitf.org.sg).

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**GT&T: Integrity and reliability are key**

using wireless communications based on global positioning systems, general packet radio services/global system for mobile communication, and radio frequency identification (RFID). It is one of the region's leading integrated manufacturers of long-range, ultra-high frequency, active RFID tags and readers and was among the first to integrate fleet tracking with active RFID personnel and asset tracking solutions to create an end-to-end management system.

In 2004, GT&T ventured into China with a deal to supply its solution to bus operators in Beijing. Today, it has about 10 people in its offices in Beijing and Shanghai. The company also has regional offices covering Thailand, Indonesia, Malaysia and Australia. GT&T's Chief Technology Officer Mr Lee Boon Peng, tells us what it is like to venture into the China market.



Mr Lee: Integrity and reliability are the two main contributing factors to the success of GT&T Engineering in China.

### **How different is China from Singapore and other markets that you have ventured into?**

You must have read or heard from other Singapore businessmen that the Chinese way of doing business relies heavily on "guan xi". We share that experience. To be successful in China, you need to have good relationships with the authorities and a reputable network of businessmen.

There are three things to observe when doing business in China and they are:

1. One needs to understand their laws and regulations by engaging a reliable and trustworthy Chinese lawyer.
2. Share your profits with your partners and staff.
3. Engage good auditors to manage your books.

### **What are some of your major achievements in China to date?**

GT&T Engineering China has implemented several major projects in collaboration with our partners there. Our customers include the Olympics Food Chain, Beijing Ground Services Airport, ST-Anda in Shenzhen, Shanghai Pacific Insurance, International School of Beijing and Shanghai, UE IEMviron in Beijing, CIIT in Beijing and East River in Guangdong.

### **What are some of the factors that have contributed to the success of your company in this market?**

Integrity and reliability are the two main contributing factors to the success of GT&T Engineering in China. The market knows us as a company which, when we agree to take on any project, will deliver on time. IDA and the Singapore government can continue to help build up the **Infocomm Singapore** reputation of being honest and efficient.

### **What are some of the challenges that you have faced?**

Resources are always limited regardless of the company's stage of growth. In a "normal" economic environment, the ability to attract and retain an honest, reliable and hardworking work force would be one of the major challenges that we face. In our line of business, quality human capital is key and most SMEs would agree that it is difficult to recruit good staff, much less retain them. We tend to lose them to MNCs and sometimes even to government agencies.

Recently, there has been one more emerging factor impeding our plans to expand further into the China market. Singapore is facing a recession, and financial institutions are tightening their loan audits and processes. This will affect Singapore businesses when we need the financial backing to embark on the project.

### **What are some of the key learning points that you can share with other aspiring Singapore infocomm companies?**

Entrepreneurship is a journey. It should not be rushed into. One should invest the time to conduct a detailed market study and to really understand the market

sentiments and consumer/organisational behaviour. A good business plan and continued support from our government and "big brothers" such as the infocomm MNCs partners will help.

Singapore is known for our efficiency and honesty in business dealings and we should maintain and reflect that in our code of practice. Above all you need a team of trustworthy, reliable and hardworking staff who will share your vision and follow your leadership.

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## NetGain: Always think "win-win"



Mr Toh: While products need to demonstrate value, "relationships" still play a decisive role in ensuring business viability.

At last year's Olympics and Paralympics in Beijing, NetGain Systems ([www.netgain-systems.com](http://www.netgain-systems.com)) broke new ground by providing the Games with a unified monitoring and management solution that supported technical teams in over 40 competition venues. In previous Games, real-time or non-real-time monitoring of the IT architecture only covered the data centre and some of the game sites.

NetGain, which provides IT management solutions for enterprises, entered the China market in 2003 and currently has a representative office in Beijing and two other sales offices in Shanghai and Guangzhou. Besides sales and marketing, the 20-strong China team is responsible for local R&D, product customisation, channel training, product delivery and project management.

Today, the company has over 100 customers spanning a wide range of sectors including telecommunications, financial services, government and energy. Its Chief Executive Officer Mr Toh Soon Seah talks about the strategies that have enabled it to crack the China market.

### How did NetGain make inroads into the China market?

We adopted a channels strategy where we integrated our solution with local partners' solutions in various vertical industries. This allowed NetGain to gain market penetration quickly and effectively.

In addition, China's IT has been evolving at a breakneck speed. Huge investments have been made in the use of IT to conduct business. However, the management of IT has not been able to catch up without proper tools and solutions. We believe that our products and solutions would provide true customer value in such scenarios.

### How different is China from Singapore and other markets that you have ventured into?

If the IT business is a people business, then China's IT business is definitely more so. The way business deals are structured are more complex. The relationships between NetGain, its partners and customers need to be well-balanced. While products need to demonstrate value, "relationships" still play a decisive role in ensuring business viability.

### In what way has the Infocomm Development Authority (IDA) assisted NetGain in establishing your presence in China?

IDA was instrumental in helping us to establish our relationship with Sun Microsystems through the IDA **Overseas Development Programme**. IDA has also provided marketing support to help NetGain improve brand awareness in the market.

### What are some of the key learning points that you can share with other aspiring Singapore infocomm companies?

- Focus on delivering value to the customer with well-designed products.
- Have a channel strategy to work with local partners. Give your best support to them.
- Take good care of your employees.
- Always think "win-win".
- Last but not least, be patient and persistent.

**What are some of the challenges/hurdles impeding success in your market?**

There are cultural differences, even though we speak the same language, and local competitors always present a challenge. It also takes time for the business to grow, so you need to be able to sustain and grow the business at the same time. Another hurdle we have had to overcome is a lack of strong branding compared with companies from the United States.

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