

China-Italy Chamber of Commerce (CICC)

2013-2014 China Business Survey



1. Where did you receive this questionnaire from?

Answer	Response	%
China-Italy Chamber of Commerce (CICC)	23	77%
CEIBS	7	23%
Total	30	100%

2. What type of company do you work for?

Answer	Response	%
Chinese Owned Company	2	7%
Foreign Owned Company	28	93%
Total	30	100%

3. Where are your Global HQ located? *only for foreign companies*

Answer	Response	%
Asia	3	11%
America	0	0%
Europe	25	89%
Australia, New Zealand & Pacific Region	0	0%
Africa	0	0%

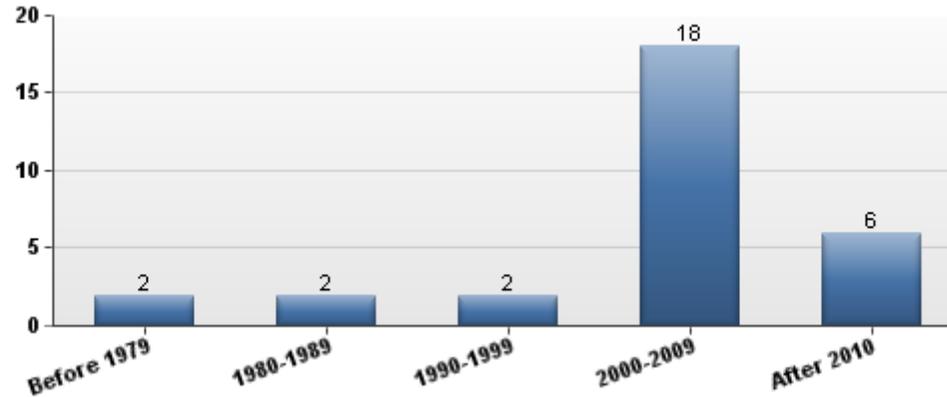
4. Where in Asia are your global HQ located?

Answer	Response	%
HK , Macao	3	100%
Total	3	100%

6. Where in Europe are your global HQ located?

Answer	Response	%
Italy	24	96%
Germany	1	4%

7. When was your company established in China?



Answer	Response	%
Before 1979	2	7%
1980-1989	2	7%
1990-1999	2	7%
2000-2009	18	60%
After 2010	6	20%
Total	30	100%

8. The headquarters of your company in mainland China are located in

Answer	Response	%
Coastal China	24	83%
Central China	5	17%
West China	0	0%
Total	29	100%

9. What is the legal status in China of the company you work for?

Answer	Response	%
Chinese State-owned	0	0%
Chinese Private enterprise	1	3%
JV	4	13%
WFOE / FICE	25	83%
RO / Branch	0	0%
Total	30	100%

10. Where does your company have operations?

Answer	Response	%
The company only operates in China	11	37%
The company operates in China and abroad	19	63%
Total	30	100%

11. How many employees does your company have in China?

Answer	Response	%
1-9	5	17%
10-49	11	37%
50-299	12	40%
300-1,999	1	3%
2,000-9,999	1	3%
10,000-49,999	0	0%
More than 50,000	0	0%
Total	30	100%

12. How many employees globally?

Answer	Response	%
1-9	0	0%
10-49	1	5%
50-299	5	26%
300-1,999	9	47%
2,000-9,999	2	11%
10,000-49,999	2	11%
More than 50,000	0	0%
Total	19	100%

13. What is your position in the company?

Answer	Response	%
CEO/GM/Owner	16	53%
VP/Vice GM/Director	5	17%
Project Mgr./ Bus. Dev.	4	13%
Marketing	1	3%
Sales	2	7%
Finance	1	3%
Other	1	3%
Total	30	100%

14. What is your company main activity in China?

Answer	Response	%
Manufacturing	18	60%
Services	12	40%
Total	30	100%

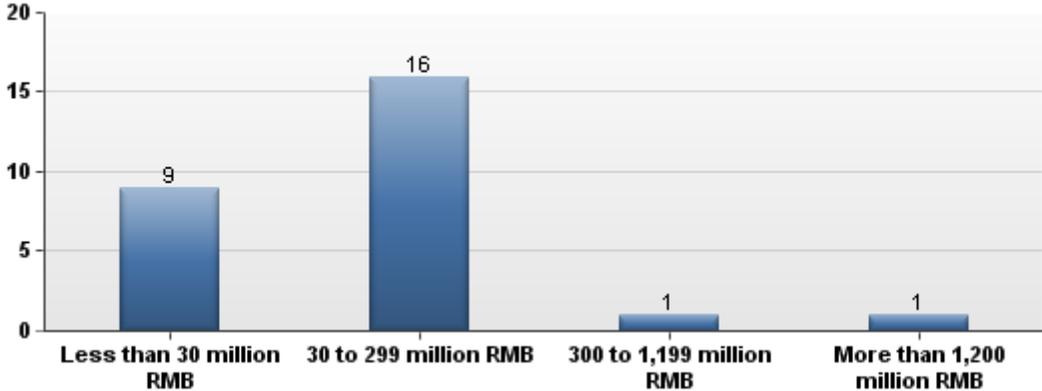
15. What is the main industry where your company operates?

Answer	Response	%
Other	7	23%
Industrial Construction & Services	7	23%
Automobile & Parts	2	7%
Personal and Household Goods	2	7%
Trading	2	7%
Consumer Services	2	7%
Health Care	2	7%
Telecommunications	1	3%
Chemicals	1	3%
Technology: Software & Hardware	1	3%
Mining, Metals, Forestry	1	3%
Financials	1	3%
Food & Beverages	1	3%
Total	30	100%

16. Who are your clients in China?

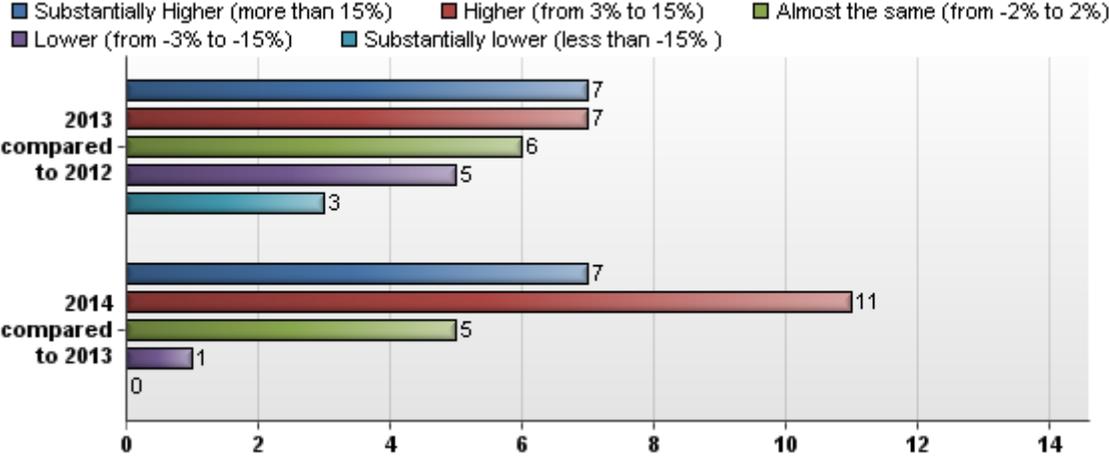
Answer	Response	%
B2C	5	17%
B2B	25	83%
NA	0	0%
Total	30	100%

17. What are your company's forecasted total China sales for 2013?



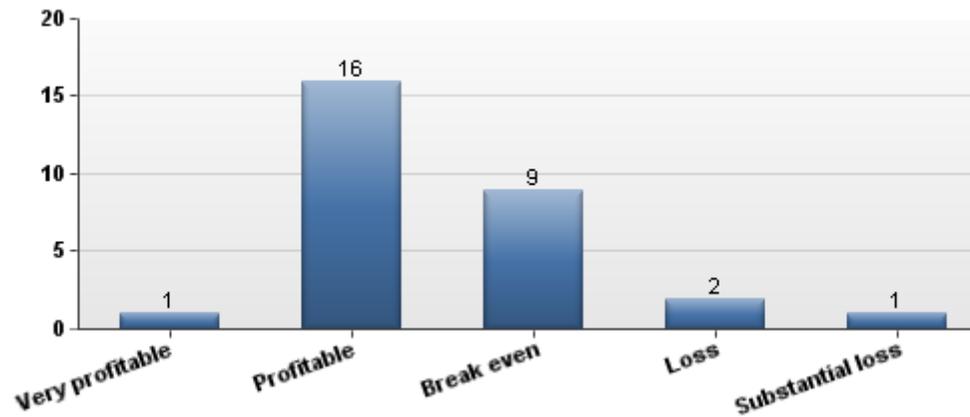
Answer	Response	%
Less than 30 million RMB	9	33%
30 to 299 million RMB	16	59%
300 to 1,199 million RMB	1	4%
More than 1,200 million RMB	1	4%
Total	27	100%

18. How do you expect your company's China sales?



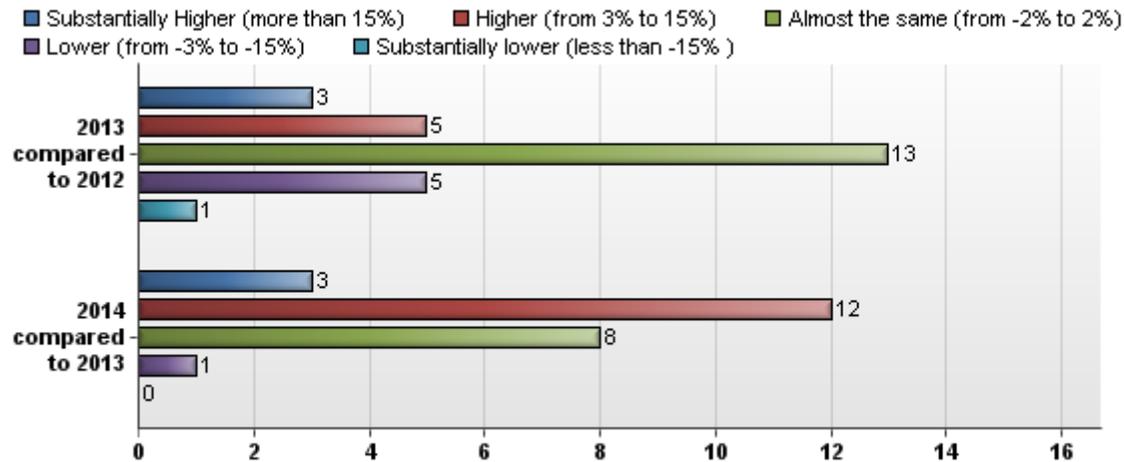
Question	Substantial ly Higher (more than 15%)	Higher (from 3% to 15%)	Almost the same (from -2% to 2%)	Lower (from -3% to -15%)	Substantial ly lower (less than -15%)	Total Responses	Mean
2013 compared to 2012	7	7	6	5	3	28	2.64
2014 compared to 2013	7	11	5	1	0	24	2.00

19. How profitable do you consider your China operation in 2013?



Answer	Response	%
Very profitable	1	3%
Profitable	16	55%
Break even	9	31%
Loss	2	7%
Substantial loss	1	3%
Total	29	100%

20. How do you expect your company's China profit?



Question	Substantial ly Higher (more than 15%)	Higher (from 3% to 15%)	Almost the same (from -2% to 2%)	Lower (from -3% to -15%)	Substantial ly lower (less than -15%)	Total Responses	Mean
2013 compared to 2012	3	5	13	5	1	27	2.85
2014 compared to 2013	3	12	8	1	0	24	2.29

21. What are the greatest external challenges for your company? *Multiple answers*

Answer	Response	%
Fierce competition	21	72%
Rising labor cost	16	55%
Economy slowdown in China	14	48%
Government & Legal environment	10	34%
Slow global economy	9	31%
RMB appreciation	8	28%
Corruption	6	21%
IP infringements	5	17%
Rising raw material prices	3	10%
Other	0	0%

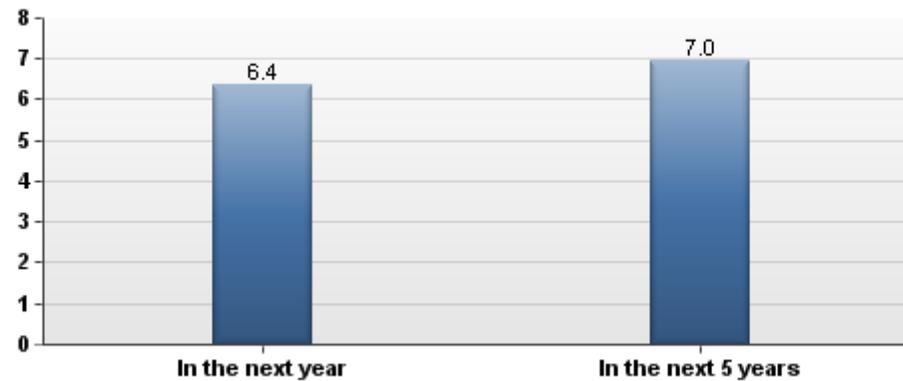
22. What are the greatest internal challenges facing your company in China? *Multiple answers*

Answer	Response	%
Finding and retaining talent	19	68%
Support from Head Office	9	32%
Marketing capability	8	29%
Corporate governance	7	25%
Innovation capability	6	21%
Services & materials quality	5	18%
Distribution problems	4	14%
Employees unethical behavior	3	11%
Finance related difficulties	2	7%
Other	0	0%
Obtaining required licenses	0	0%

23. What are the most important factors for your company's success in China? *Multiple answers*

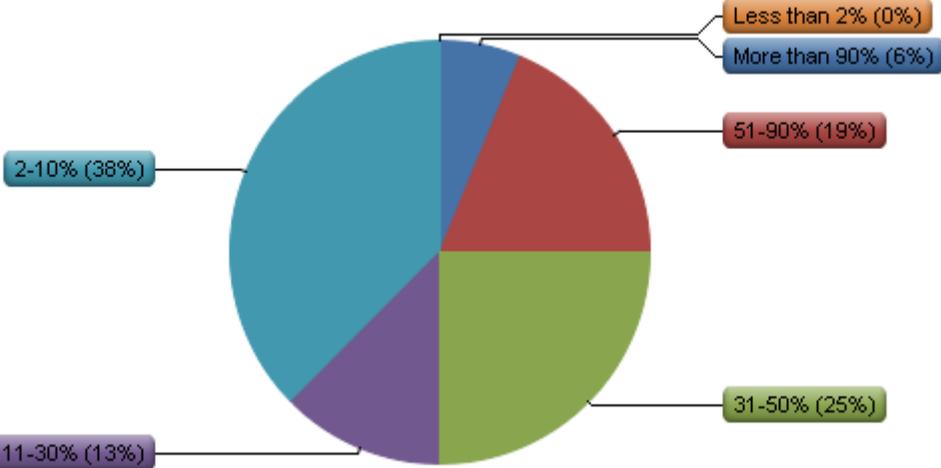
Answer	Response	%
Quality of the products/services	19	66%
Brand and awareness creation	15	52%
Strong company culture & values	14	48%
Cost control, operations efficiency	11	38%
Guanxi and networking	11	38%
Employee selection and training	10	34%
R&D and product innovation	9	31%
Performance & incentive systems	7	24%
Having a good partner	7	24%
Quality of the management team	7	24%
Other	1	3%

24. How confident are you that your operations in China will be successful in the next year, and in the next 5 years?



Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
In the next year	3.0	10.0	6.4	1.8	30
In the next 5 years	3.0	9.0	7.0	1.6	30

25. What percentage of your company's expected global sales in 2013 will be generated in China?



Answer	Response	%
More than 90%	1	6%
51-90%	3	19%
31-50%	4	25%
11-30%	2	13%
2-10%	6	38%
Less than 2%	0	0%
Total	16	100%

26. How does this percentage compare to last year?

Answer	Response	%
Increased substantially	0	0%
Increased	8	50%
Same proportion as last year	8	50%
Decreased	0	0%
Decreased substantially	0	0%
Total	16	100%

27. What investments do you plan for 2014 in China?

Answer	Response	%
Decrease or close operations	0	0%
Stay the same (no new investments)	15	52%
Increase operations by 1-9%	7	24%
Increase by 10-19%	3	10%
Increase by 20-29%	2	7%
Increase by 30% or more	2	7%
Total	29	100%

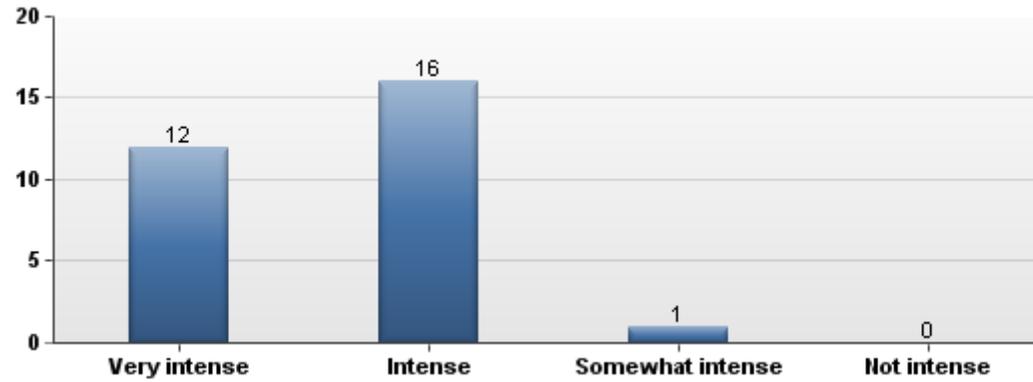
28. Where in China do you plan to invest? *Multiple answers possible*

Answer	Response	%
Coastal China	13	93%
Central China	3	21%
West China	3	21%

29. How does China rank in your global investment plans?

Answer	Response	%
Number 1 priority	8	44%
Number 2 or 3 priority	6	33%
One among many investment destinations	4	22%
Not a high priority	0	0%
Total	18	100%

30. How intense is the competition you are facing in China?



Answer	Response	%
Very intense	12	41%
Intense	16	55%
Somewhat intense	1	3%
Not intense	0	0%
Total	29	100%

31. Who are your major competitors in China?

Multiple answers possible

Answer	Response	%
Chinese Private	21	72%
Foreign companies (WFOE)	18	62%
Competition from imports	5	17%
State-owned	4	14%
Joint ventures	4	14%
Other	0	0%
No major competitors	0	0%

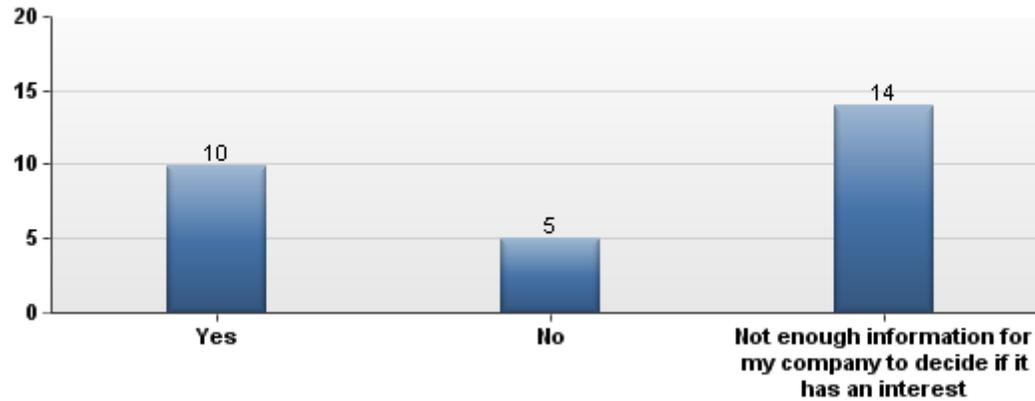
32. What are the competitive advantages of your main competitors in China? *Multiple answers possible*

Answer	Response	%
Pricing	17	59%
Government relationships and other guanxi	12	41%
Marketing and Sales	11	38%
Brand Recognition	11	38%
Cost advantage	11	38%
Distribution	8	28%
Product	8	28%
Access to capital	7	24%
Unethical behavior	6	21%
Local knowledge and reach	6	21%
Technology	2	7%
Other	0	0%

33. Have you heard about Shanghai Free Trade Zone?

Answer	Response	%
Yes	29	97%
No	1	3%
Total	30	100%

34. Does your company have an interest in Shanghai Free Trade Zone?



Answer	Response	%
Yes	10	34%
No	5	17%
Not enough information for my company to decide if it has an interest	14	48%
Total	29	100%

35. What is the interest of your company? *Multiple answers possible*

Answer	Response	%
Possible tax/tariff benefits	15	63%
Possible benefits from freer financial transactions	10	42%
Better government services in the zone	8	33%
Less restrictions on cross-border investment	8	33%
Establish a branch/office/factory in the zone	8	33%
Not sure	4	17%
Appreciation of real estate in the zone	2	8%
Others (please specify)	1	4%

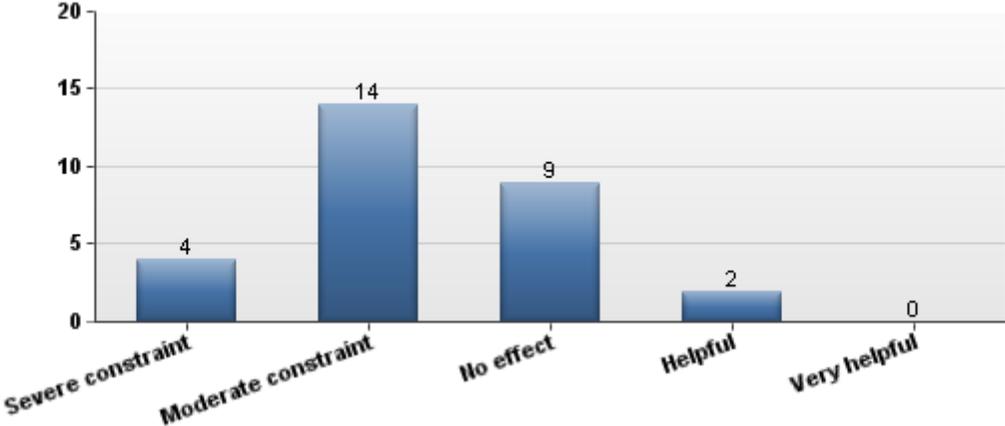
36. What is your expectation of the Shanghai Free Trade Zone?

Answer	Response	%
High. It will be a model of China's future economy	2	8%
Moderate. Still wait to see how far the policies will go	15	63%
Low. It is largely symbolic and has little real content	2	8%
Not sure	5	21%
Total	24	100%

37. What would you like to see the most in the zone? *Multiple answers possible*

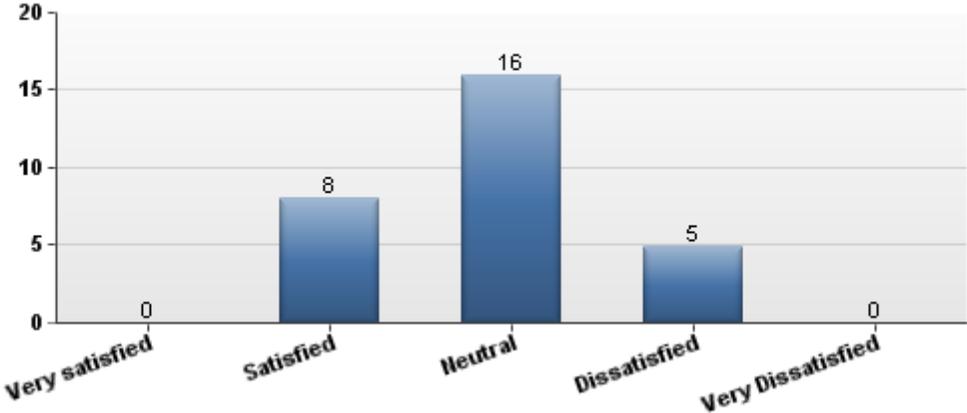
Answer	Response	%
Efficiency of government services	16	67%
Financial market liberalization	14	58%
Lower taxes	12	50%
Equal treatment of all types of companies	8	33%
Not sure	5	21%
Free access to all Internet sites	5	21%
Others (please specify)	0	0%

38. What is the effect of government policies and regulations on your industry?



Answer	Response	%
Severe constraint	4	14%
Moderate constraint	14	48%
No effect	9	31%
Helpful	2	7%
Very helpful	0	0%
Total	29	100%

39. Are you satisfied with the services provided by the Chinese government and related agencies



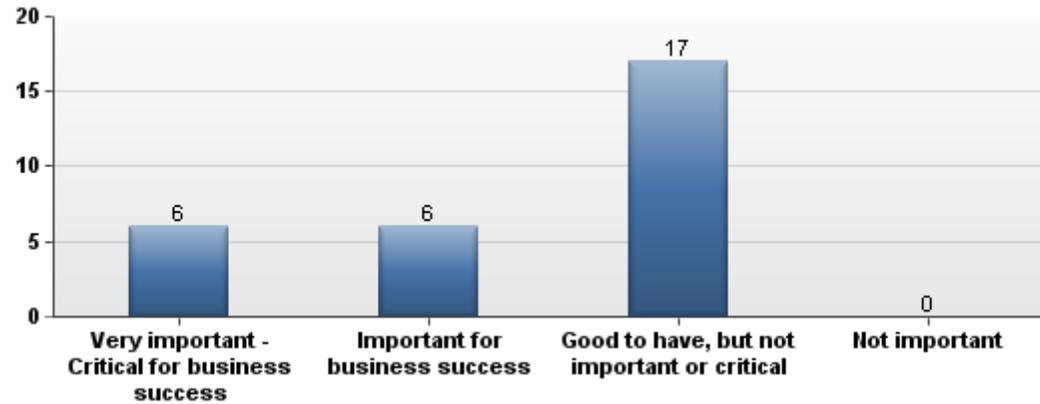
Answer	Response	%
Very satisfied	0	0%
Satisfied	8	28%
Neutral	16	55%
Dissatisfied	5	17%
Very Dissatisfied	0	0%
Total	29	100%

40. What are your main concerns regarding the Chinese government and the legal environment?

Multiple answers

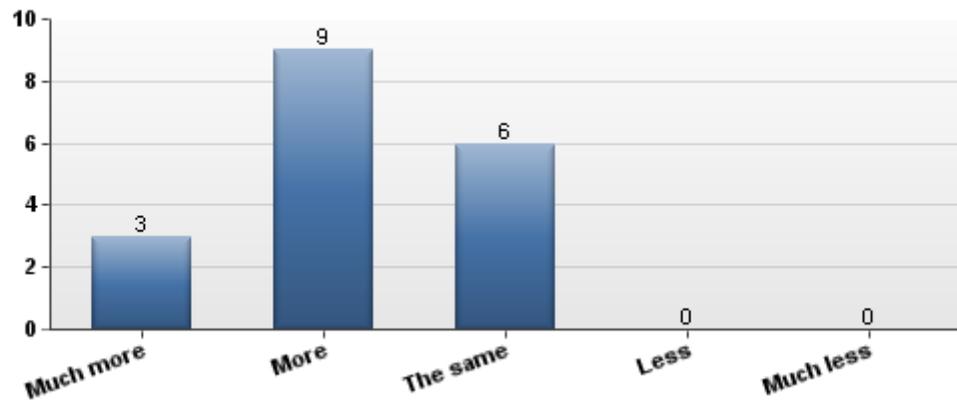
Answer	Response	%
Unclear, changing or inconsistent laws and regulations	12	60%
Corruption	8	40%
Stricter and more difficult regulations to fulfill	8	40%
Regional disparity of policy implementation	6	30%
Energy saving and emission reduction policy	6	30%
Macroeconomic policy adjustment	5	25%
Increased government involvement in the economy	4	20%
Obtaining required licenses	3	15%
Other policy	1	5%

41. How important are the relationships with the authorities?



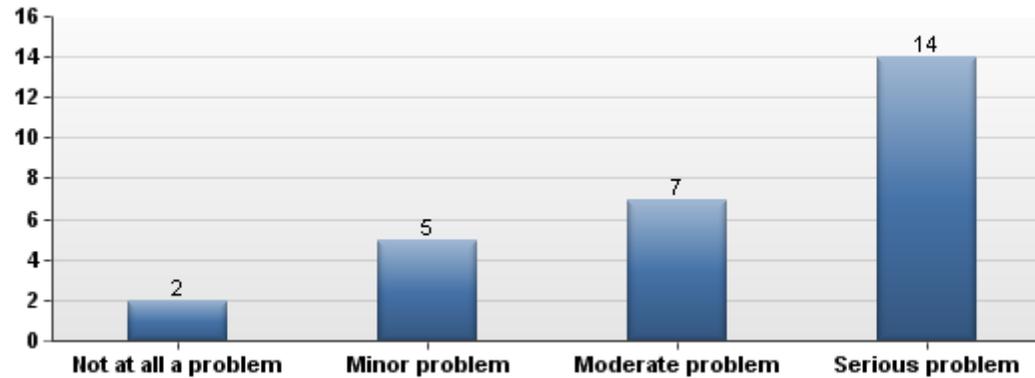
Answer	Response	%
Very important - Critical for business success	6	21%
Important for business success	6	21%
Good to have, but not important or critical	17	59%
Not important	0	0%
Total	29	100%

42. How much resources do you allocate to build/keep good relationships with Chinese authorities when compared with home country?



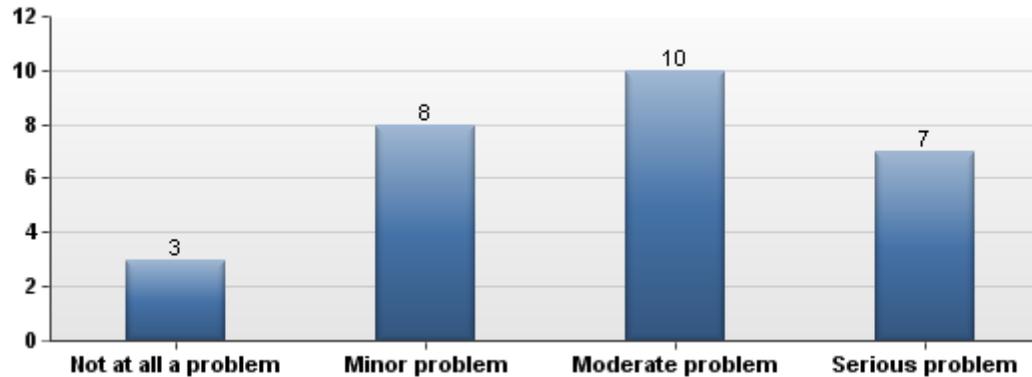
Answer	Response	%
Much more	3	17%
More	9	50%
The same	6	33%
Less	0	0%
Much less	0	0%
Total	18	100%

43. In your view, how serious is corruption in China, in general?



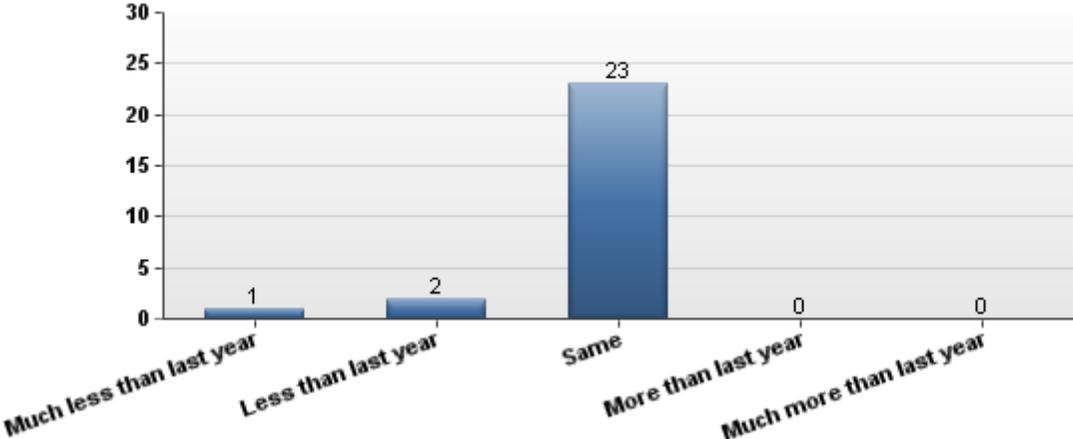
Answer	Response	%
Not at all a problem	2	7%
Minor problem	5	18%
Moderate problem	7	25%
Serious problem	14	50%
Total	28	100%

44. In your view, how serious is corruption in your industry?



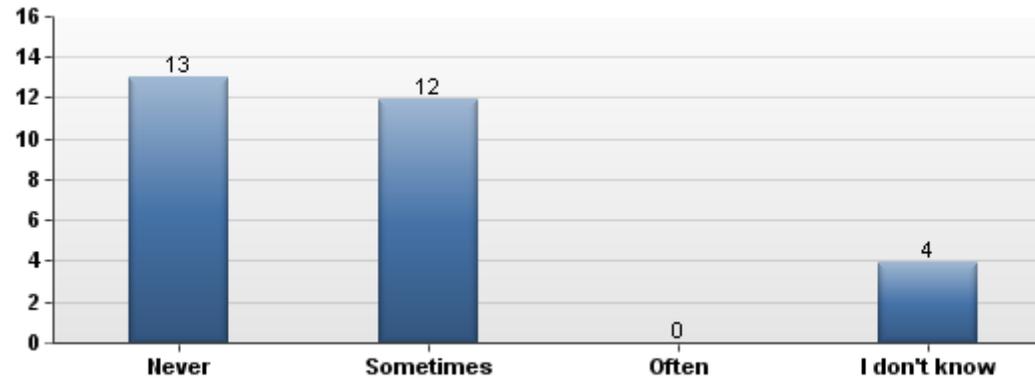
Answer	Response	%
Not at all a problem	3	11%
Minor problem	8	29%
Moderate problem	10	36%
Serious problem	7	25%
Total	28	100%

45. In your view, how is corruption in your industry compared to last year?



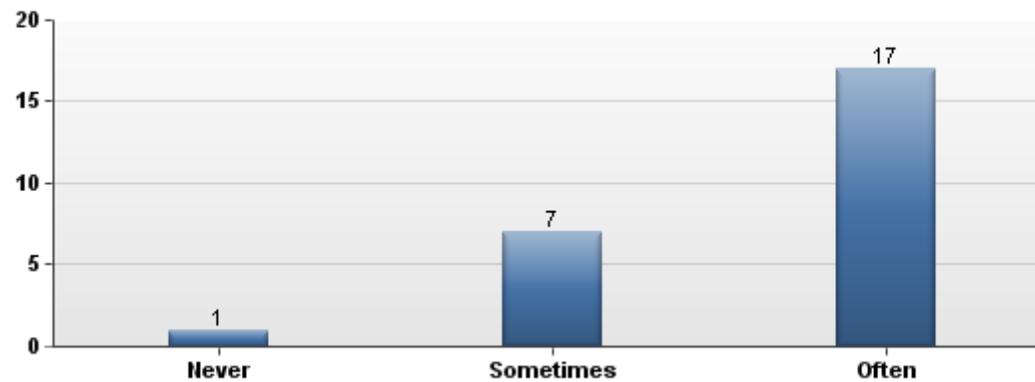
Answer	Response	%
Much less than last year	1	4%
Less than last year	2	8%
Same	23	88%
More than last year	0	0%
Much more than last year	0	0%
Total	26	100%

46. Has your company made any attempt to provide personal benefits to relevant individuals?



Answer	Response	%
Never	13	45%
Sometimes	12	41%
Often	0	0%
I don't know	4	14%
Total	29	100%

47. Do you believe that your competitors have made attempts to provide personal benefits to relevant individuals?



Answer	Response	%
Never	1	4%
Sometimes	7	28%
Often	17	68%
Total	25	100%

48. Do you have manufacturing in China?

Answer	Response	%
Yes	14	93%
No	1	7%
Total	15	100%

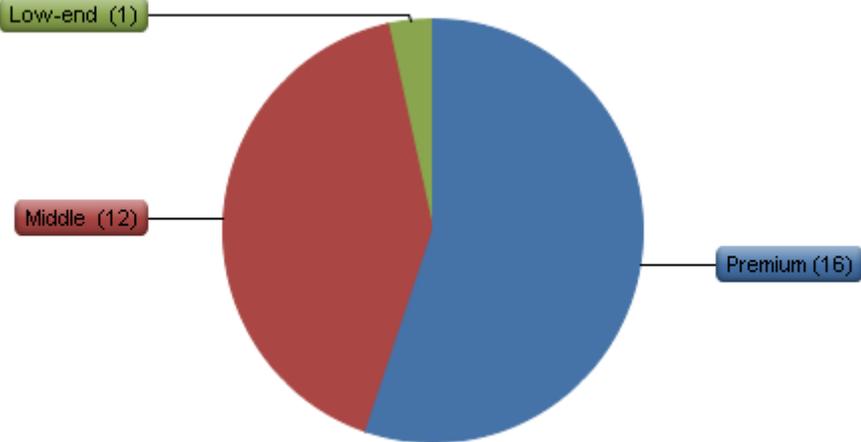
49. Where are these plants located? *Multiple answers possible*

Answer	Response	%
Coastal China	12	86%
Central China	2	14%
West China	0	0%

50. What are your plans for your production capacity in China in the next 3 years?

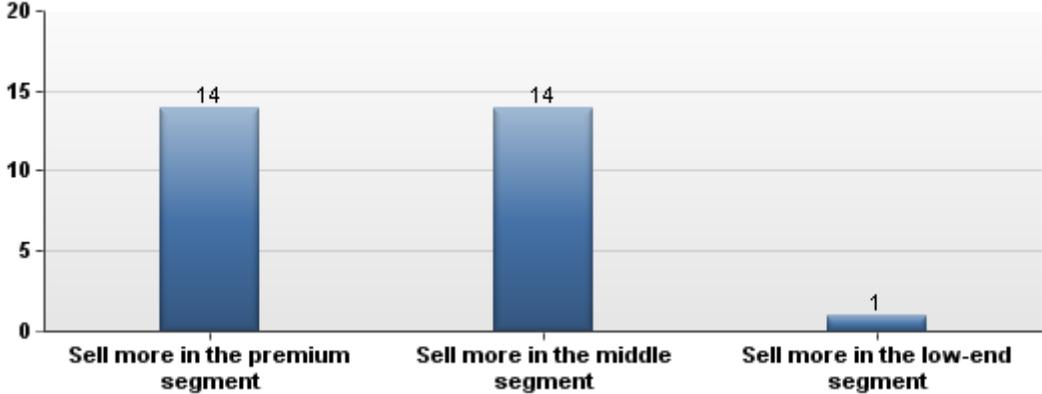
Answer	Response	%
Increase	12	86%
Keep the same	2	14%
Decrease	0	0%
Stop production in China	0	0%
Total	14	100%

51. Which is your main market segment in China?



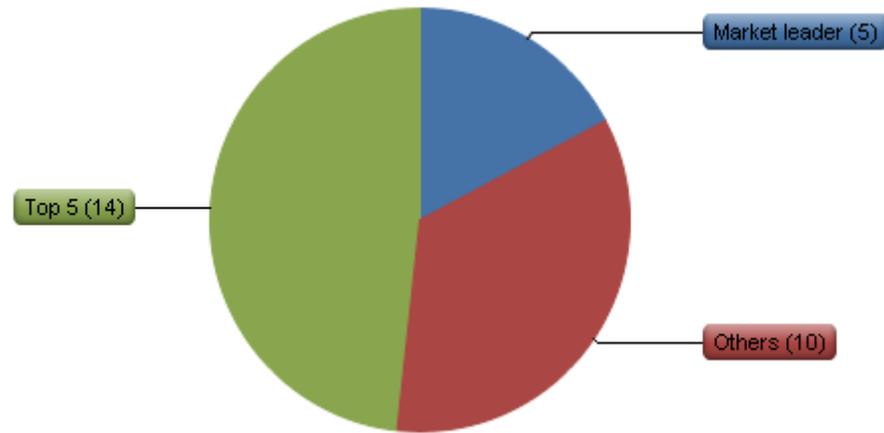
Answer	Response	%
Premium	16	55%
Middle	12	41%
Low-end	1	3%
Total	29	100%

52. What are your sales plans for the future:



Answer	Response	%
Sell more in the premium segment	14	48%
Sell more in the middle segment	14	48%
Sell more in the low-end segment	1	3%
Total	29	100%

53. What is your market position in China (for your main business line)?

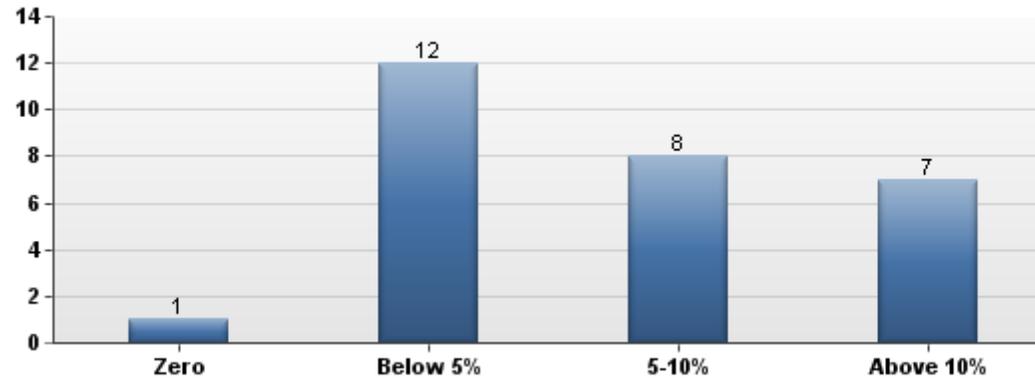


Answer	Response	%
Market leader	5	17%
Others	10	34%
Top 5	14	48%
Total	29	100%

54. Why are you at that position? *Multiple answers possible*

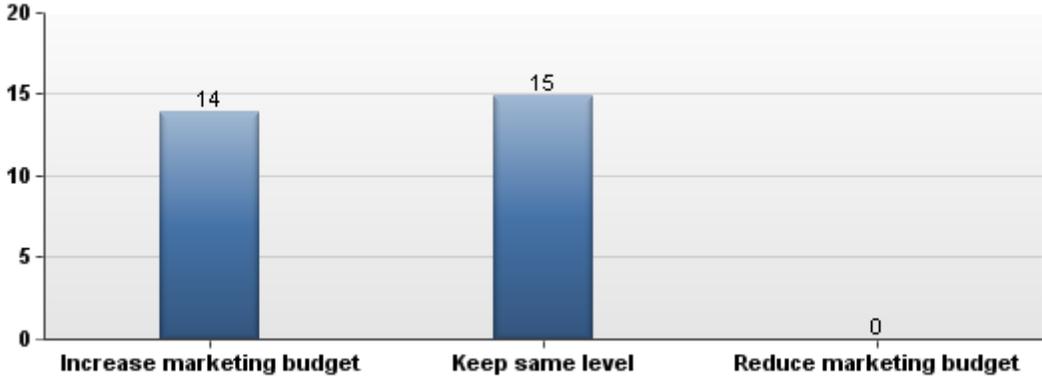
Answer	Response	%
Competitive advantage	5	100%
Price/quality ratio is good	1	20%
Market understanding	1	20%
Distribution network is good	2	40%
Quality is adapted to the market	0	0%
Competition is weak	0	0%
Other	0	0%

55. What percentage of yearly revenues do you spend on marketing and sales?



Answer	Response	%
Zero	1	4%
Below 5%	12	43%
5-10%	8	29%
Above 10%	7	25%
Total	28	100%

56. What are your plans for next year?



Answer	Response	%
Increase marketing budget	14	48%
Keep same level	15	52%
Reduce marketing budget	0	0%
Total	29	100%

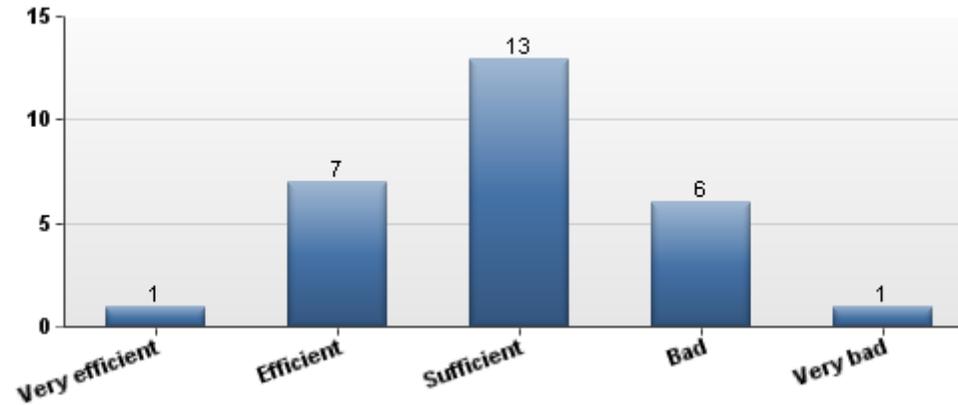
57. Please choose the most important factors on the success of your sales in China. *Multiple answers*

Answer	Response	%
High quality	18	64%
Price/quality ratio	17	61%
Service	17	61%
Distribution network	13	46%
Speed to market	10	36%
Developing a strong brand	10	36%
R&D	6	21%
Awareness & advertising campaigns	6	21%
Market research	5	18%
Low price	1	4%
Other	0	0%

58. Which marketing activities are most effective for your main business? *Multiple answers*

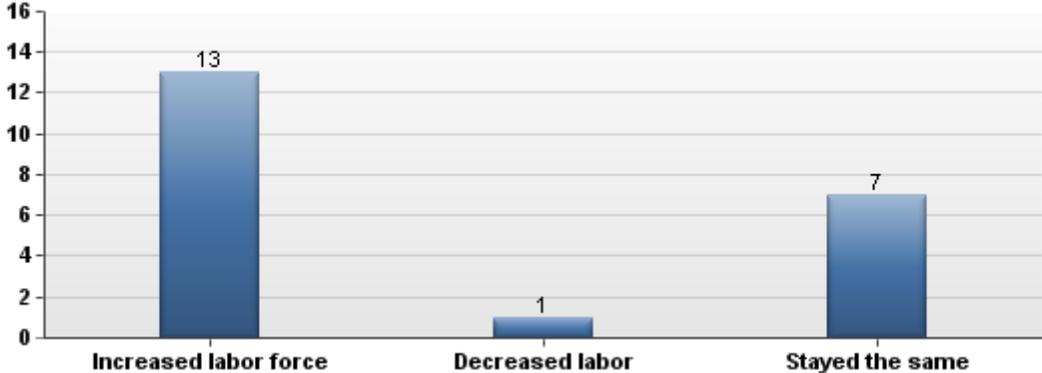
Answer	Response	%
Trade fairs in China	23	85%
Client visits	22	81%
PR	12	44%
Seminars, conferences	10	37%
Internet advertising	8	30%
Trade fairs overseas	6	22%
E-mail, newsletter	6	22%
Traditional advertising	2	7%
Other	0	0%

59. How do you evaluate your company distribution network in China?



Answer	Response	%
Very efficient	1	4%
Efficient	7	25%
Sufficient	13	46%
Bad	6	21%
Very bad	1	4%
Total	28	100%

60. The change in your company labor force in 2012 vs. 2011 is:

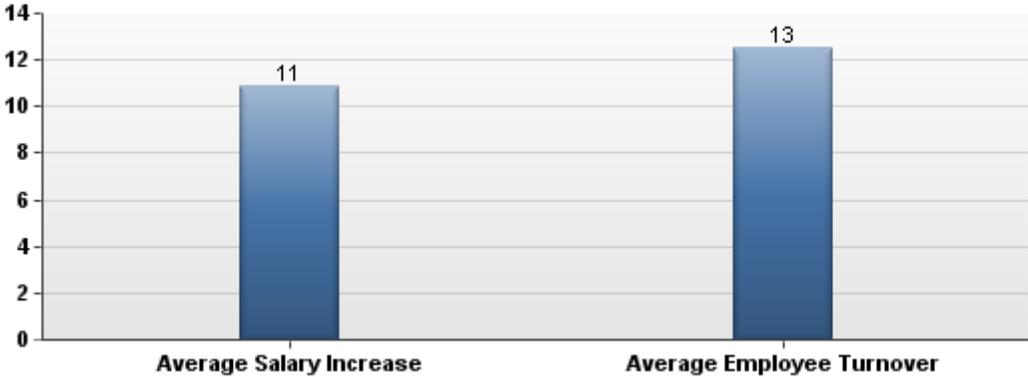


Answer	Response	%
Increased labor force	13	62%
Decreased labor	1	5%
Stayed the same	7	33%
Total	21	100%

61. Which are the major human resource issues facing your company in China? *Multiple answers*

Answer	Response	%
Finding and hiring talent	16	76%
Rising labor costs	13	62%
Generating commitment & loyalty	12	57%
Retaining employees	9	43%
Unethical behavior	6	29%
Unrealistic expectations of young	6	29%
Difficulties in firing employees	5	24%
Other	1	5%
Unwillingness to relocate	1	5%

62. The expected total salary increase and employee turnover of your company in China in 2013 compared to 2012



Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
Average Salary Increase	0.00	29.00	10.89	6.77	19
Average Employee Turnover	0.00	35.00	12.56	9.25	16

63. At which level is it difficult to find suitable human resources for your company in China?

Multiple answers

Answer	Response	%
Not difficult	0	0%
Top management	4	19%
Middle Management	11	52%
Engineers and technicians	11	52%
Sales people	13	62%
Unskilled workers	5	24%
Others	0	0%

64. For the personnel you have difficulty acquiring, what are the key reasons? *Multiple answers*

Answer	Response	%
Experience is not up to desired level	15	71%
Technical or business skills are not up to needs	11	52%
The profile is available but is too expensive	8	38%
Lack of supply	7	33%
Ability to learn new skills is not sufficient	7	33%
Unreasonable career expectations	6	29%
Personal qualities and character are not suitable	6	29%
The academic training is not up to desired level	1	5%
Other	0	0%

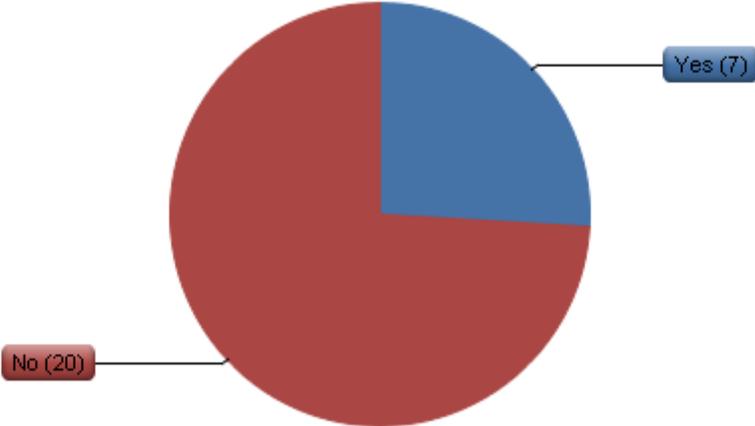
65. What measures do you find most efficient in retaining employees? *Multiple answers*

Answer	Response	%
Develop a feeling of belonging	16	76%
System of rewards & recognition	12	57%
Offering good career path	11	52%
Good relationship with boss	9	43%
Pay above market	8	38%
Company reputation	8	38%
Retention bonus	7	33%
Training plans	6	29%
Coaching and mentoring	4	19%
Stock plans	1	5%
Other	0	0%

66. What types of innovations have you introduced since the beginning of 2013? *Multiple answers*

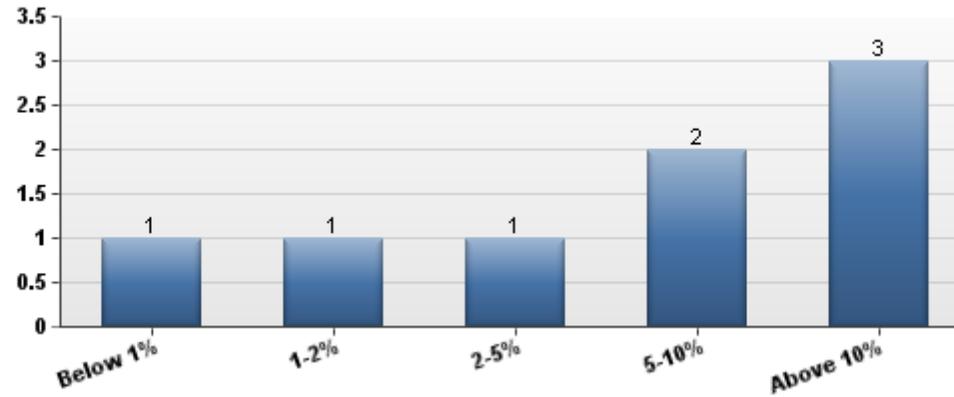
Answer	Response	%
Introduced new products / services in an existing line	12	44%
New management techniques	10	37%
Service improvements	10	37%
Introduced new products / services in a new line	8	30%
New quality controls in production	7	26%
Process improvements	7	26%
Purchased advanced machines	6	22%
None	4	15%
Other	0	0%

67. Does your company have R&D in China?



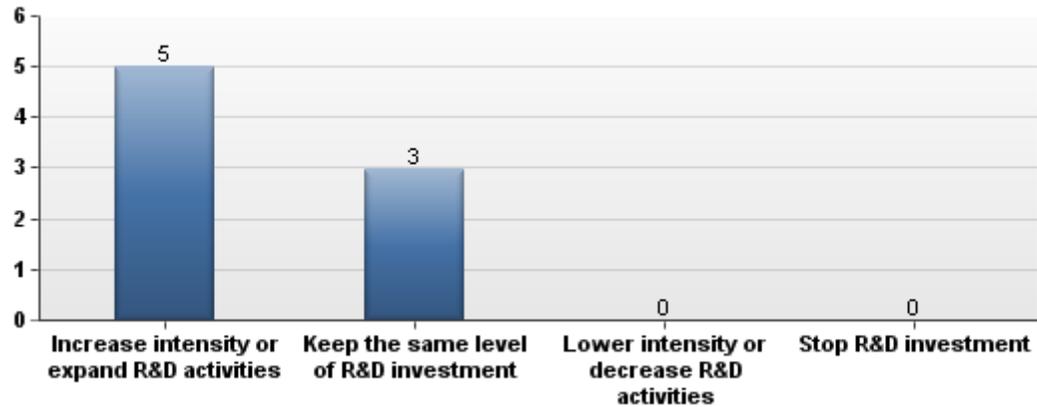
Answer	Response	%
Yes	7	26%
No	20	74%
Total	27	100%

68. What is your annual expenditure on R&D as % of revenues?



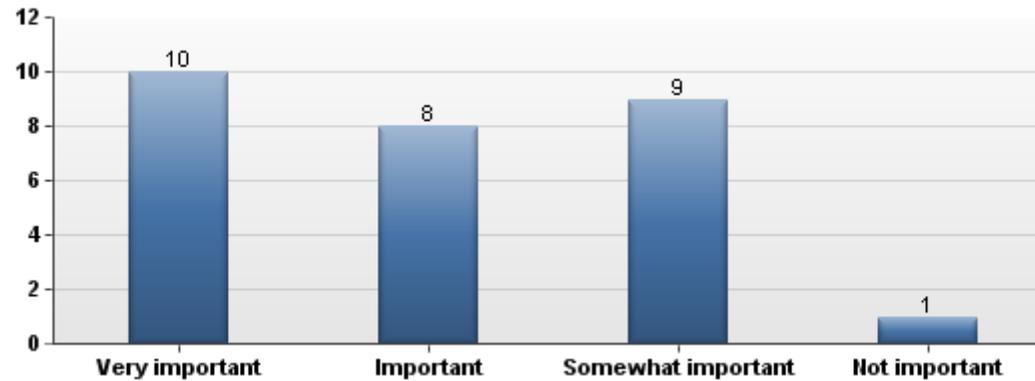
Answer	Response	%
Below 1%	1	13%
1-2%	1	13%
2-5%	1	13%
5-10%	2	25%
Above 10%	3	38%
Total	8	100%

69. What are your plans for the next 3 years?



Answer	Response	%
Increase intensity or expand R&D activities	5	63%
Keep the same level of R&D investment	3	38%
Lower intensity or decrease R&D activities	0	0%
Stop R&D investment	0	0%
Total	8	100%

70. How important is IP to your business in China?

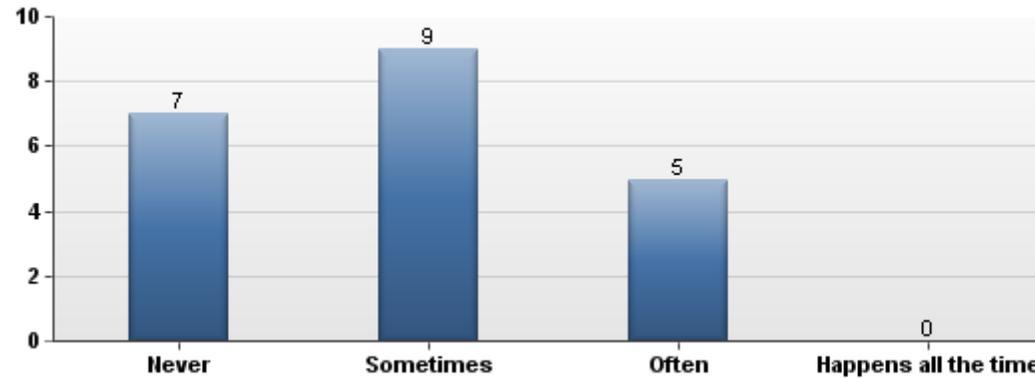


Answer	Response	%
Very important	10	36%
Important	8	29%
Somewhat important	9	32%
Not important	1	4%
Total	28	100%

71. What type of IP do you own in China? *Multiple answers possible*

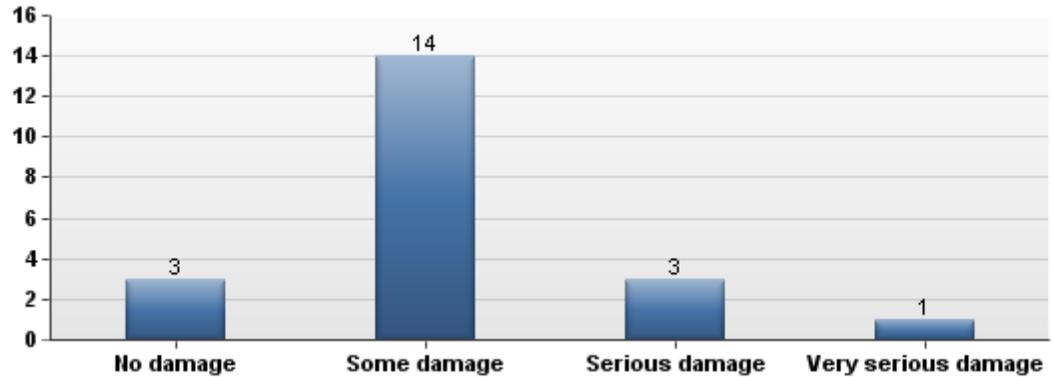
Answer	Response	%
Trademarks	17	65%
Patents	8	31%
None	5	19%
Commercial secrets	4	15%
Industrial design rights	2	8%
Copyrights	2	8%
Geographical indication	1	4%
Other	0	0%

72. How often has your IP been infringed in China in 2013



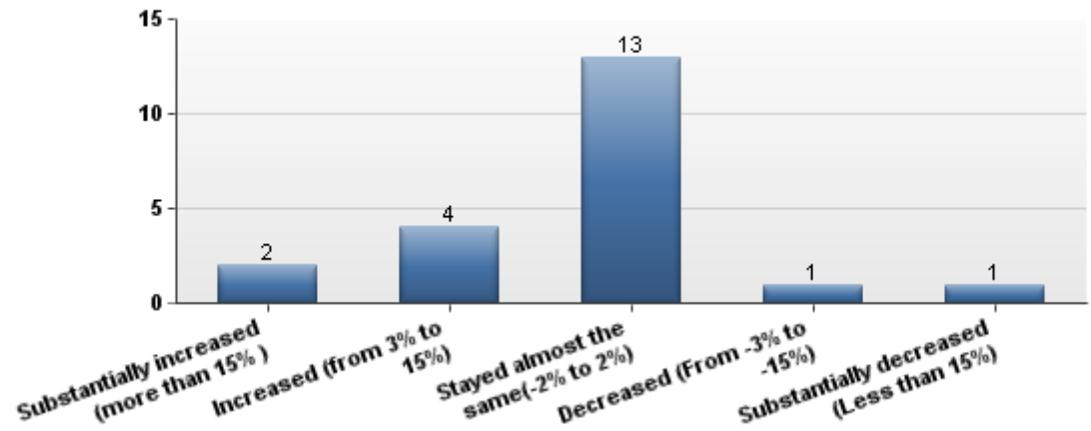
Answer	Response	%
Never	7	33%
Sometimes	9	43%
Often	5	24%
Happens all the time	0	0%
Total	21	100%

73. What is the damage caused to you by IP infringement?



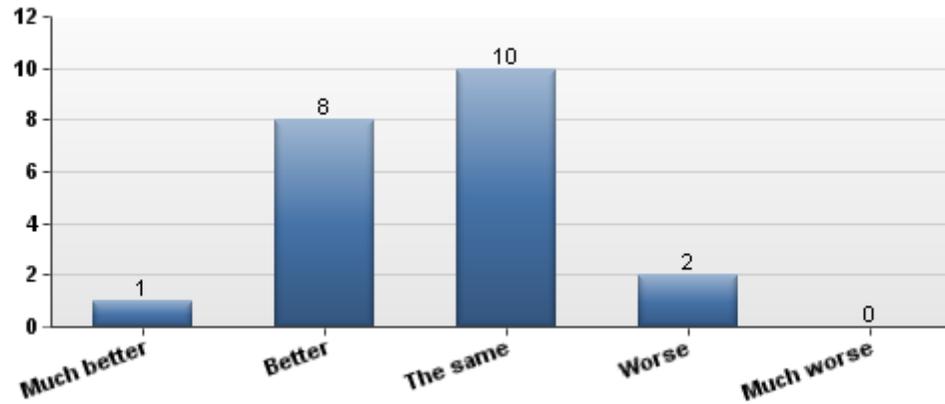
Answer	Response	%
No damage	3	14%
Some damage	14	67%
Serious damage	3	14%
Very serious damage	1	5%
Total	21	100%

74. Compared with the past three years, would you consider that the amount of IP infringement in China has:



Answer	Response	%
Substantially increased (more than 15%)	2	10%
Increased (from 3% to 15%)	4	19%
Stayed almost the same (-2% to 2%)	13	62%
Decreased (From -3% to -15%)	1	5%
Substantially decreased (Less than 15%)	1	5%
Total	21	100%

75. In the past three years, how do you describe the IP protection from the government in China?



Answer	Response	%
Much better	1	5%
Better	8	38%
The same	10	48%
Worse	2	10%
Much worse	0	0%
Total	21	100%

76. Who have been the perpetrators of the IP infringements in China? *Multiple answers*

Answer	Response	%
Chinese competitors	17	85%
Employees	4	20%
Suppliers	4	20%
Clients	4	20%
Foreign competitors	3	15%
Unknown	3	15%
JV Partner(s)	2	10%

77. Which are the key measures to protect your IP in China? *Multiple answers*

Answer	Response	%
Register trademarks, patents	15	75%
Pursue legal actions	11	55%
Limit IP knowledge	9	45%
HR management	7	35%
Avoid IP-intensive processes	4	20%
Technical measures to track	3	15%
Market monitoring to track	3	15%
Measures to make theft harder	2	10%
Build in misleading features	2	10%
Other	0	0%

78. What's your gender?

Answer	Response	%
Male	18	62%
Female	11	38%
Total	29	100%

79. Where are you from?

Answer	Response	%
Mainland China	8	27%
Hong Kong (S.A.R.) & Macao (S.A.R.)	0	0%
Taiwan (China)	0	0%
Other	22	73%
Total	30	100%

80. Where are you from? (for non chinese citizens)

Answer	Response	%
Italy	19	95%
Malta	1	5%
Total	20	100%

81. How many years of total working experience do you have?

Answer	Response	%
Less than 5 years	3	10%
5-9 years	8	27%
10-20 years	12	40%
More than 20 years	7	23%
Total	30	100%

82. How many years of overseas working experience do you have? *For Chinese citizens*

Answer	Response	%
Never worked overseas	4	50%
Less than 5 years	2	25%
5-9 years	2	25%
10-20 years	0	0%
More than 20 years	0	0%
Total	8	100%

83. How many years of mainland China working experience do you have? *For non-Chinese citizens*

Answer	Response	%
Never worked in China	0	0%
Less than 5 years	8	36%
5-9 years	7	32%
10-20 years	5	23%
More than 20 years	2	9%
Total	22	100%