

# CHINA STRESS TEST



## China Initiative Stress Test

Many US companies have established a basic footprint in Southeast Asia either out of necessity or the desire to gain a competitive advantage over their competition. These relationships between US and Asian companies frequently provide short term value to their counterparts in the US, but are not sufficiently developed to provide sustained growth and value. It is our hope that this brief examination of your current business in China will help clarify the true risks and costs that your company is exposed to and thereby arm you with the knowledge to become more efficient and better positioned to develop sustainable business in Asia. We've created the following test to help you identify both inefficiencies and opportunities in your current Asian business relationships. The test focuses on three critical components: Cost Analysis, Stress Test, and General Business Plan.

### Cost Analysis:

US companies often dive into business in Southeast Asia without a predetermined business plan and do not fully recognize the hidden costs of doing business in a foreign country. The following exercise will help you determine current costs to actively manage your Southeast Asian accounts. The answers may surprise you.

#### Provide Key Facts:

- Current Annual Value of all Imports/Exports to and from Southeast Asia over the previous year or projected for current year:
- Frequency of Shipments:
- Number of Facilities being used/customers in the marketplace:

What are you currently spending on an annual basis to monitor and expand your business in Southeast Asia?

Annual Travel Expenses	\$
Wages of Designated Import/Export Employee(s)	\$
R&D Expenses	\$
Product Defects/Claims	\$
Miscellaneous Expenses	\$
<b>TOTAL ASIAN EXPENSES</b>	\$

What is your expense ratio relative to your efforts in Southeast Asia?

Total Asian Expenses	\$
Annual Sales/Purchases	\$
<b>ASIAN SALES/PURCHASING EXPENSE RATIO</b>	%

### Stress Test:

This stress test will help you quickly determine the sustainability of the current infrastructure used to meet your objectives in Southeast Asia. Please note that this brief test is not intended to be definitive; instead, it is our hope that this instrument will provide valuable insight to potentially uncover areas where your company may be exposed to unnecessary risk prior to a major change in business conditions.

### *What if...Scenarios:*

What if payment terms to your supplier(s) or customer(s) are changed (e.g., from T/T or LC to Open Terms)?

What if there is a major disruption in your Asian supply-chain?

What if your largest competitor moved operations to China?

What if your business in Asia is doubled or halved over the next two years?

What if your domestic business is doubled or halved over the next two years?

What if current personnel designated to handle exports/imports to and from Southeast Asia was no longer with your company or went to a competitor? Who would replace them and how long would it take to fully resume operations?

### **General Business Plan:**

A general business plan that specifically frames your efforts in Asia is crucial to measuring your company's success and determining where further investments are needed. It is our experience, however, that many companies do not actually have a specific business plan to guide their efforts overseas, which can become very costly over time.

Have you created 1yr, 3yr, and 5yr business plans directly related to your efforts to buy and/or sell within Southeast Asia?

What infrastructure have you established to help your company meet its objectives, and what changes do you anticipate making over the next year, 3 years, and 5 years? (Establish foreign office, warehousing, etc.)

Does your current manager(s) of Chinese operations have prior experience conducting business in Asia?

Does your personnel currently work under non-compete agreements?

Could personnel designated to oversee your efforts in Southeast Asia be better used domestically?

### **What Now?**

Over the last decade our firm has noticed that many companies are not prepared for sudden changes to their import/export business, and even when faced with this realization, are not sure how to make the changes needed to better prepare their operations. We have discovered that no industry is immune to this lapse. We founded our firm to bridge this critical gap and provide cost effective solutions that meet the complex and ever-changing problems that arise when doing business in Southeast Asia. If you feel as though your company's efforts in China are not yielding the returns you demand; that your company is unprepared for major changes in Asian business conditions; or that your China initiative is lacking direction, we can help. Contact us so we can help you begin solving these problems and better position your company for the future. The ABC Group is ready to help you make your Asian operations a success.

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