

DON'T FEAR CHINA

An Introduction to Chinese Market Entry



NORDIC
INNOVATION
ACADEMY



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Shanghai University



Digital
Innovation
Hub



NACIONĀLAIS
ATTĪSTĪBAS
PLĀNS 2020



EIROPAS SAVIENĪBA
Eiropas Reģionālās
attīstības fonds

IEGULDĪJUMS TAVĀ NĀKOTNĒ

Meistarklase organizēta Latvijas IT klastera projekta "Informācijas tehnoloģiju nozares konkurētspējas un eksportspējas paaugstināšana" ietvaros (projekta Nr. 3.2.1.1/16/A/004) ar Eiropas Reģionālās attīstības fonda finansiālu atbalstu.



Prof. Dr. Xiaotian Zhang (PhD. Econ)

- Associate Vice President, Shanghai University (CHN)
- Director-General, SHU Global (CHN)
- First Vice Rector, University of International Business (KZ)
- Dean, European Institute, SoE, Shanghai University (CHN)
- President, Nordic Innovation Academy (EU)

- Professor of International Business, Shanghai University (CHN)
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- Ast. Prof of International Business, University of Southern Denmark (DK)
- EMCCR Fellow, Stockholm Business School, Stockholm University (SE)
- Deputy Head, Center for Asian and Emerging Markets, University of Tartu (EE)
- Rajawali Fellow, Harvard Kenney School, Harvard University (US)
- Visiting Fellow, Said Business School, University of Oxford (UK)

- Chairman of the Board of six companies in EU & China
- Investor, serial entrepreneur & global citizen



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An Introduction to Chinese Market Entry

Chinese
Market Entry

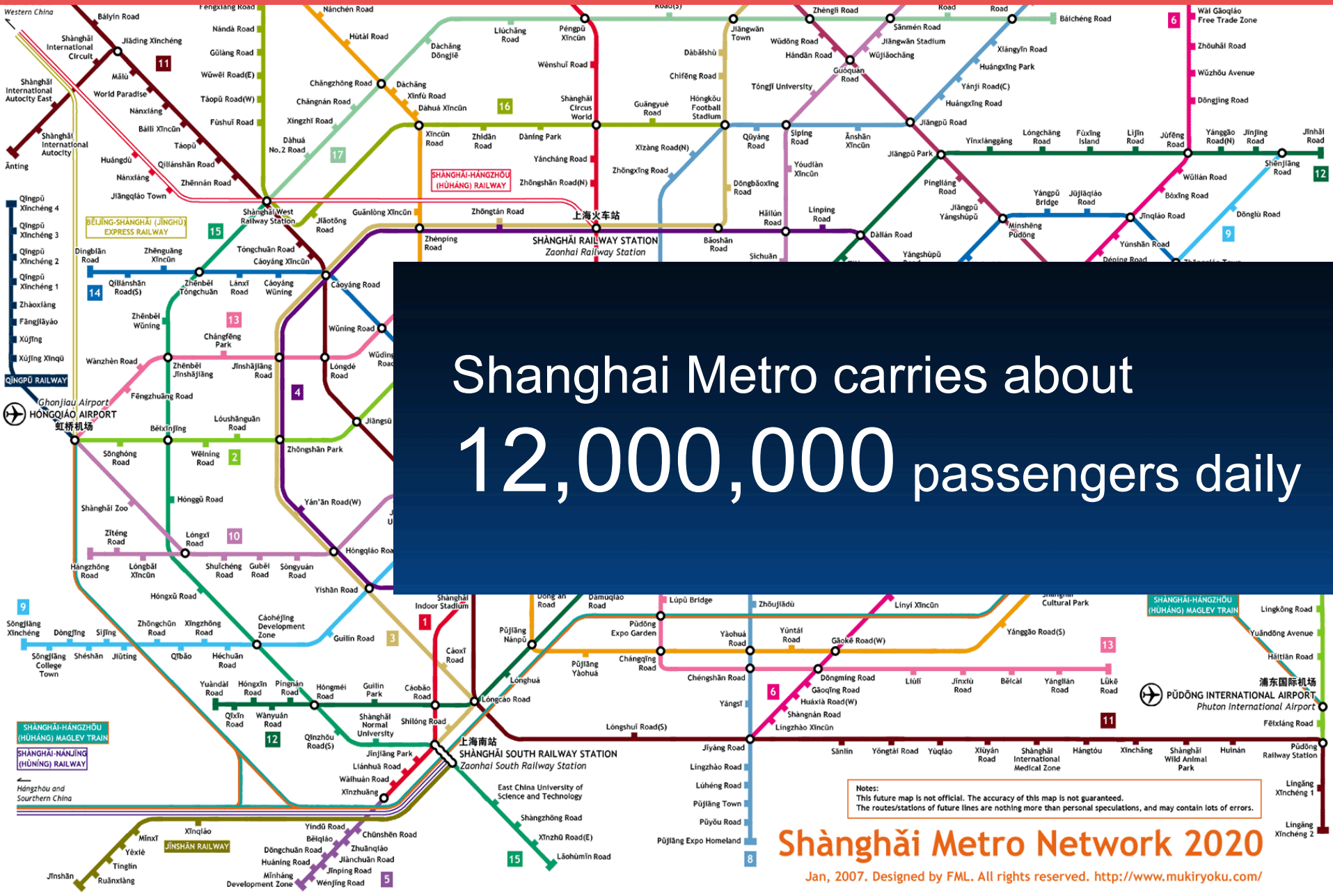
What is China?


Chinese Business Culture

Entering Chinese Market

E-commerce in China

Opportunities for Latvia





Chinese E-commerce delivers over
100,000,000 packages daily



Each day nearly
50,000 babies are born in China



CRH China Railway High-speed
operates 4500 trains at a speed of
350km/h and carries 5,000,000
passengers daily




2684

所有不可
What was once un

On Nov 11th 2019, the total online sales of Tmall exceeded
38.3 billion USD



Each day, the mobile
payment platforms operate
transactions of
82 billion USD



微信支付



Bike-sharing in China reduces
daily carbon emission by more
than **19,000** tons



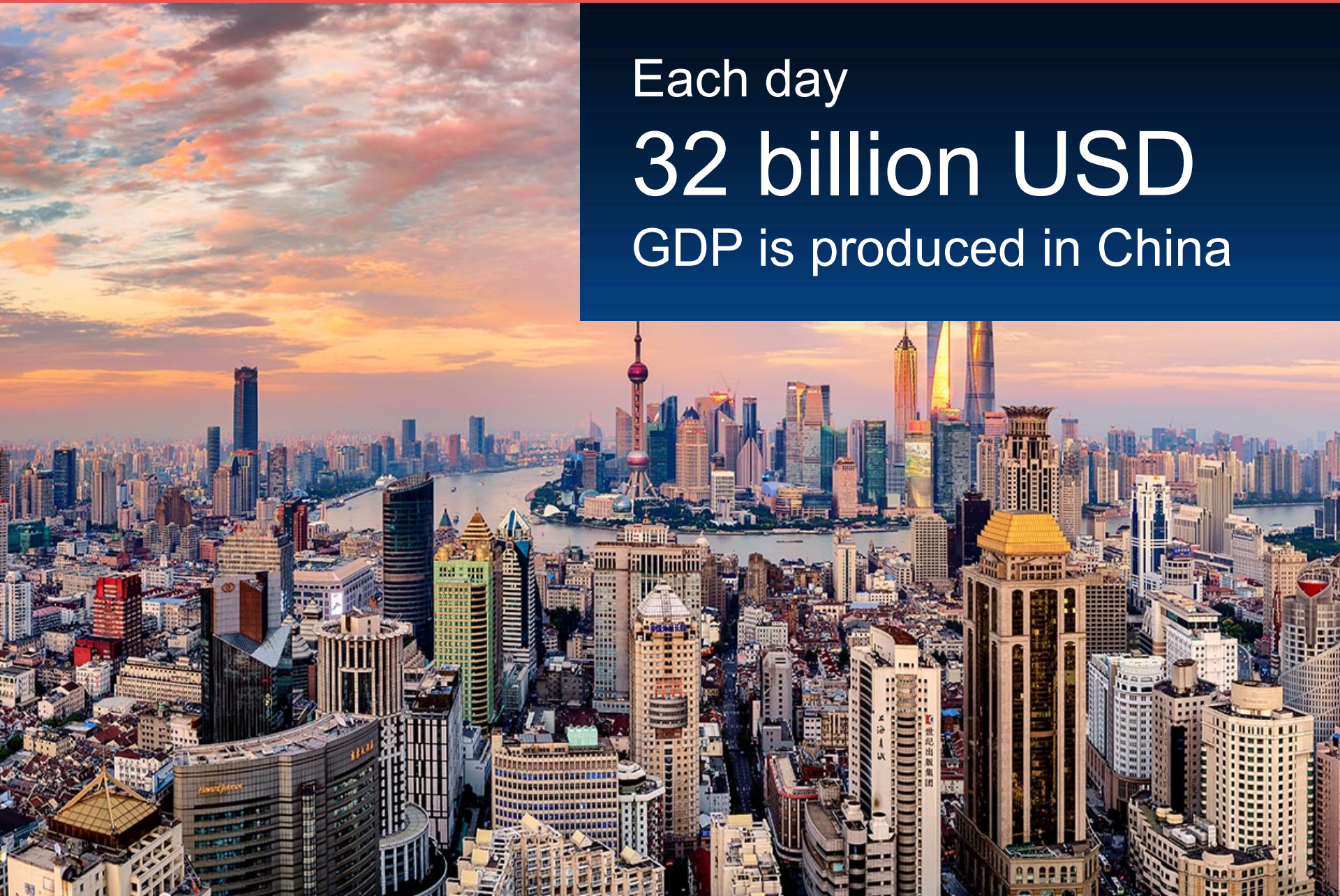
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INNOVATION
ACADEMY



Each day
20,000 hectares
new afforestation in China



Each day
32 billion USD
GDP is produced in China





Five hundred meter Aperture Spherical Telescope

Each day
700,000,000 USD
is invested in R&D in China



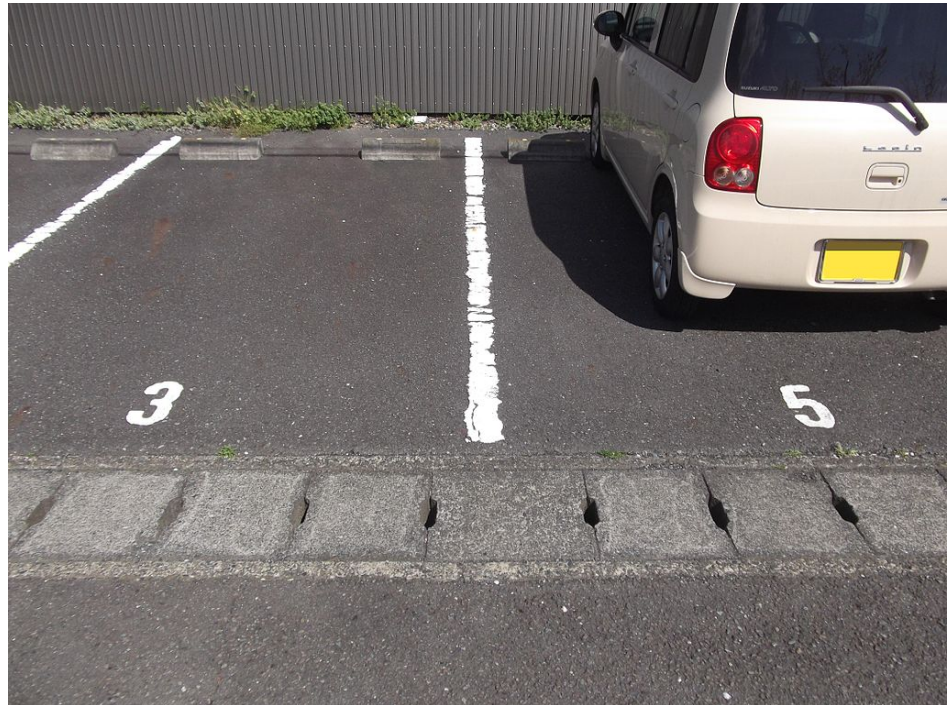


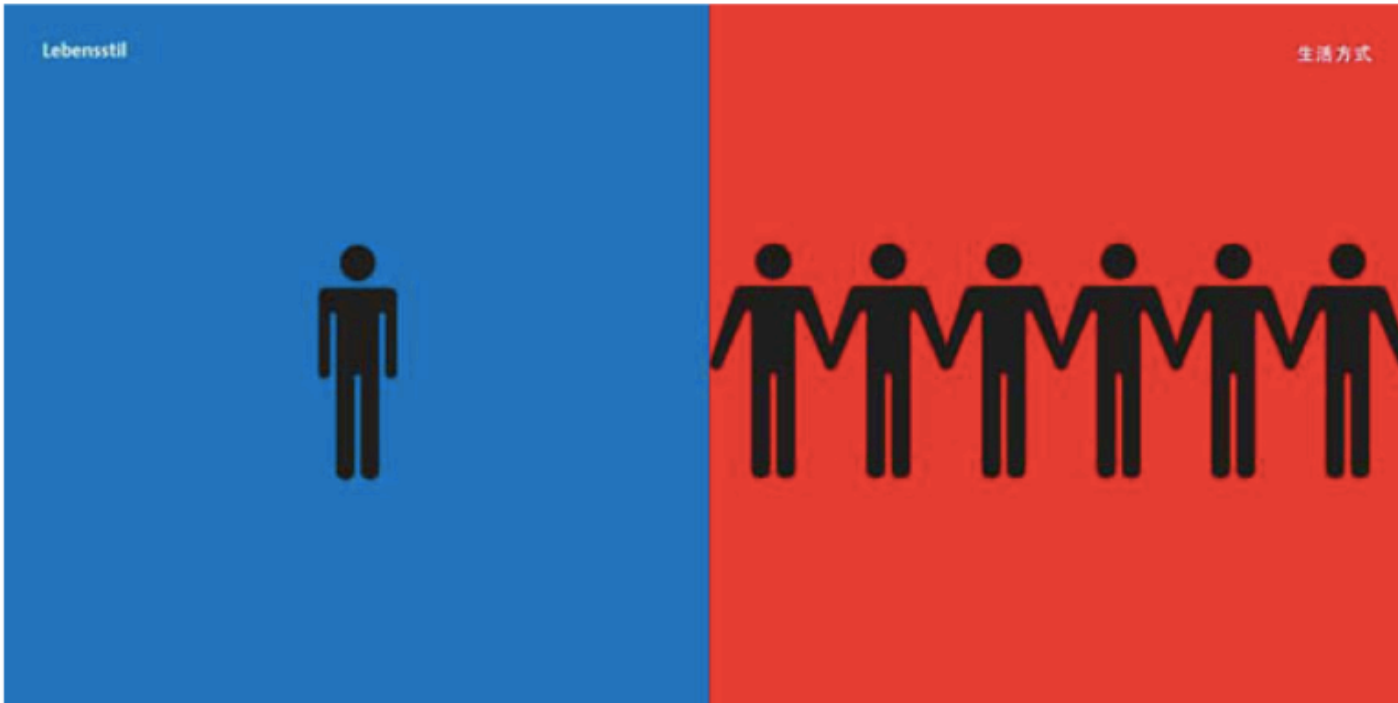
It took China 10 days to build
a new hospital with a facility of
1000 beds



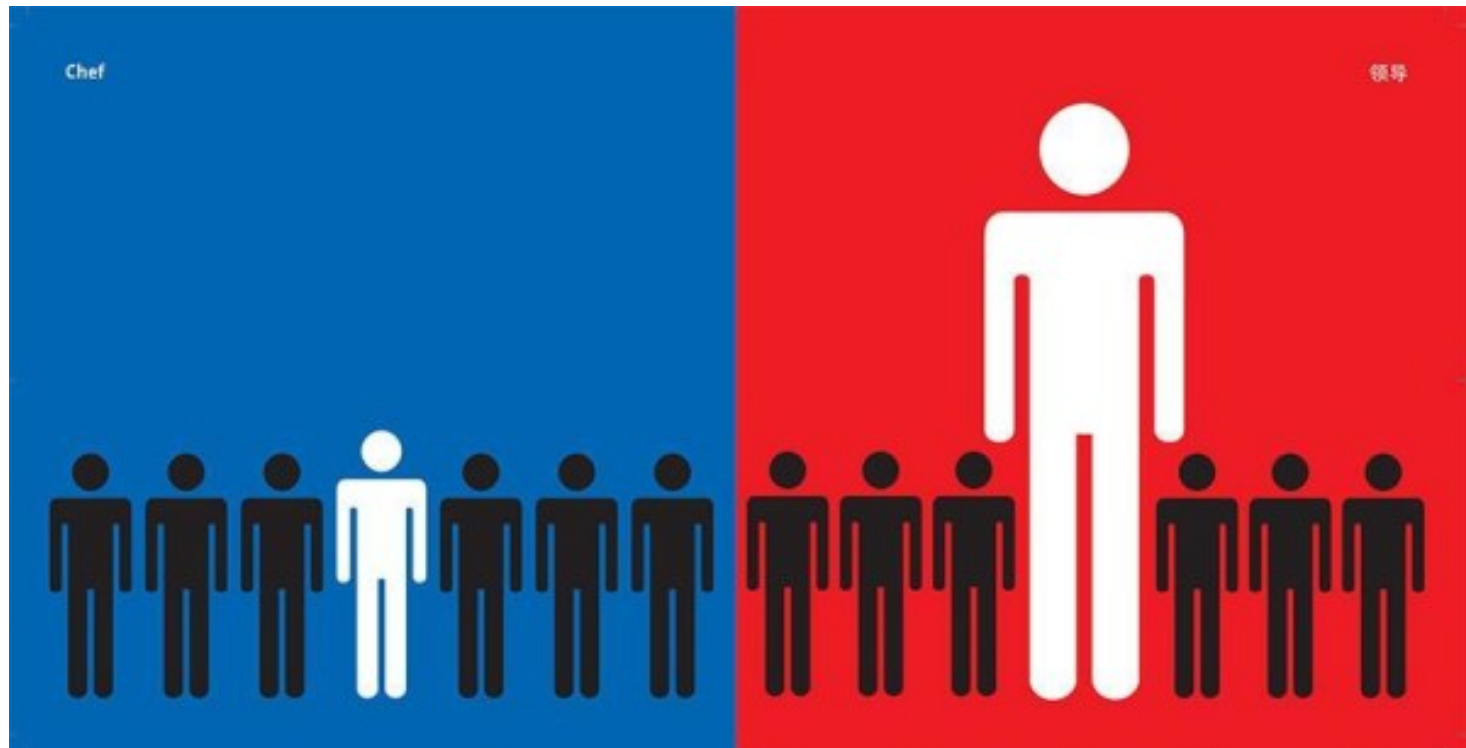
Chinese Business Culture



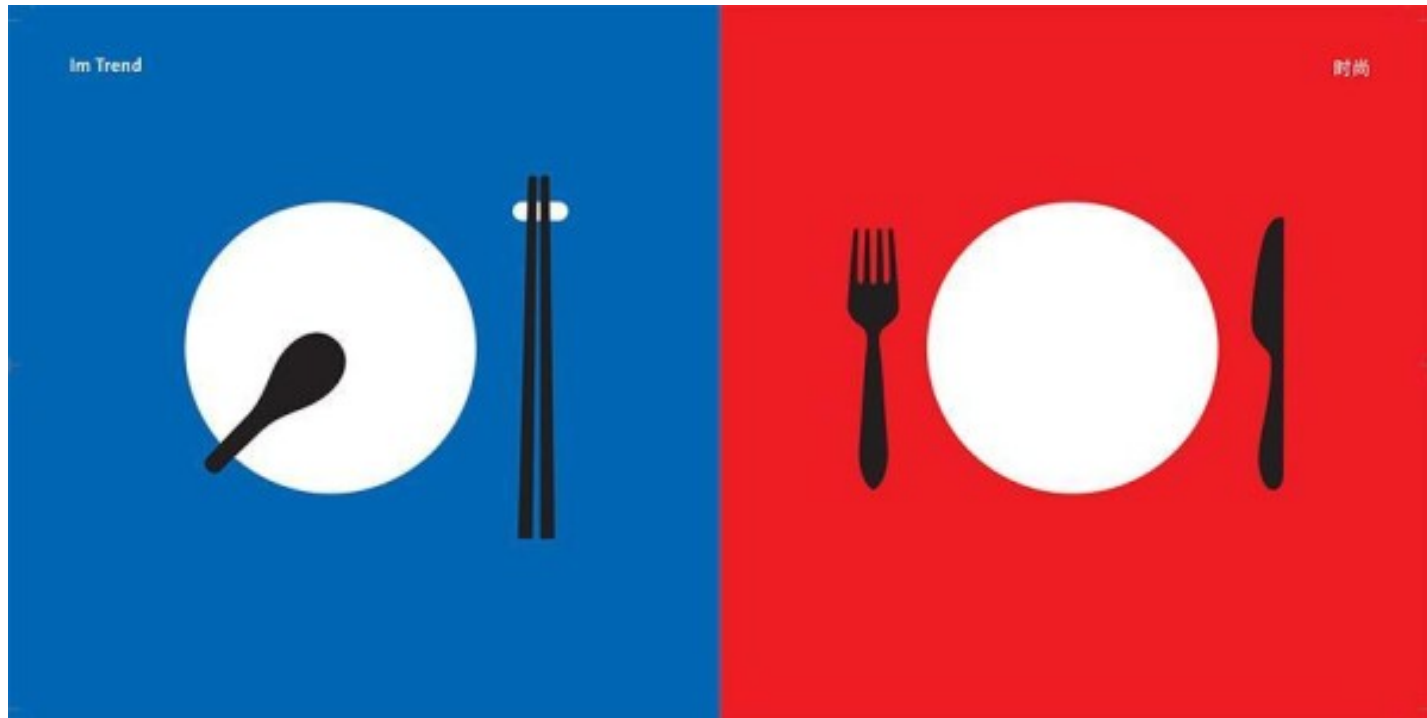




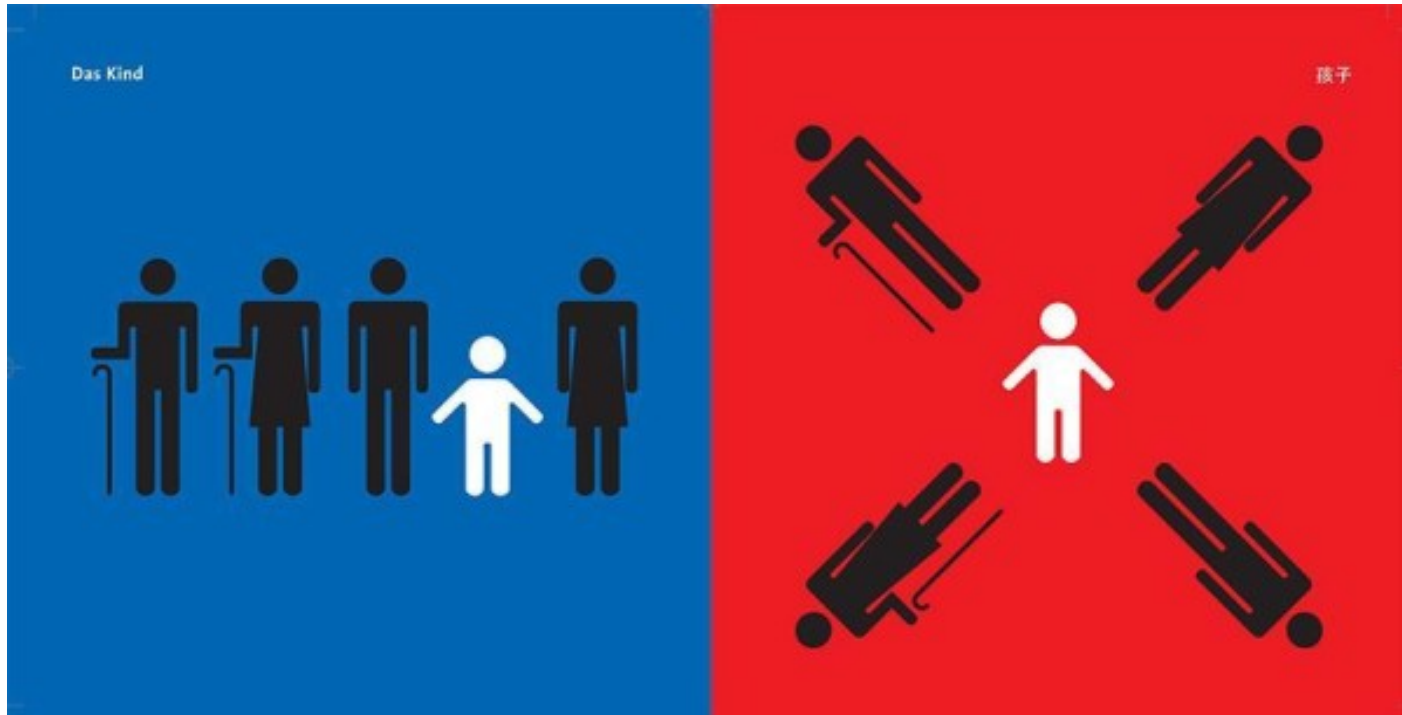
Lifestyle: Independent vs. dependent



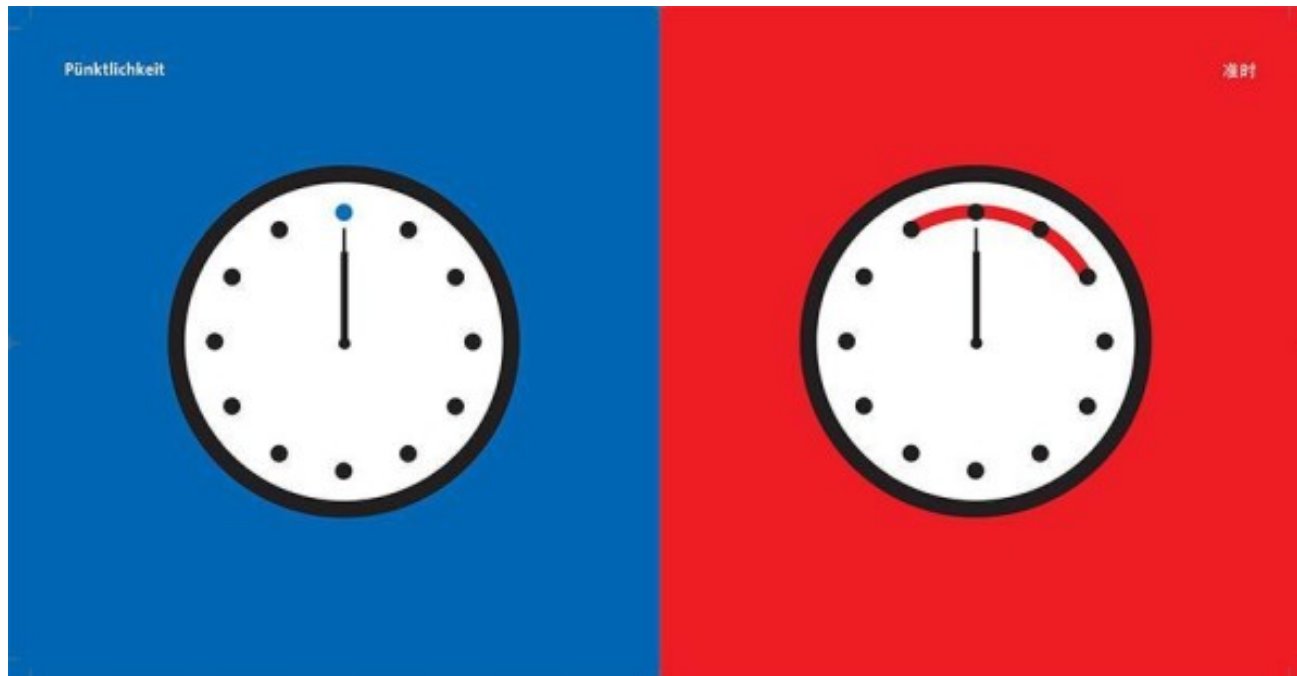
The boss



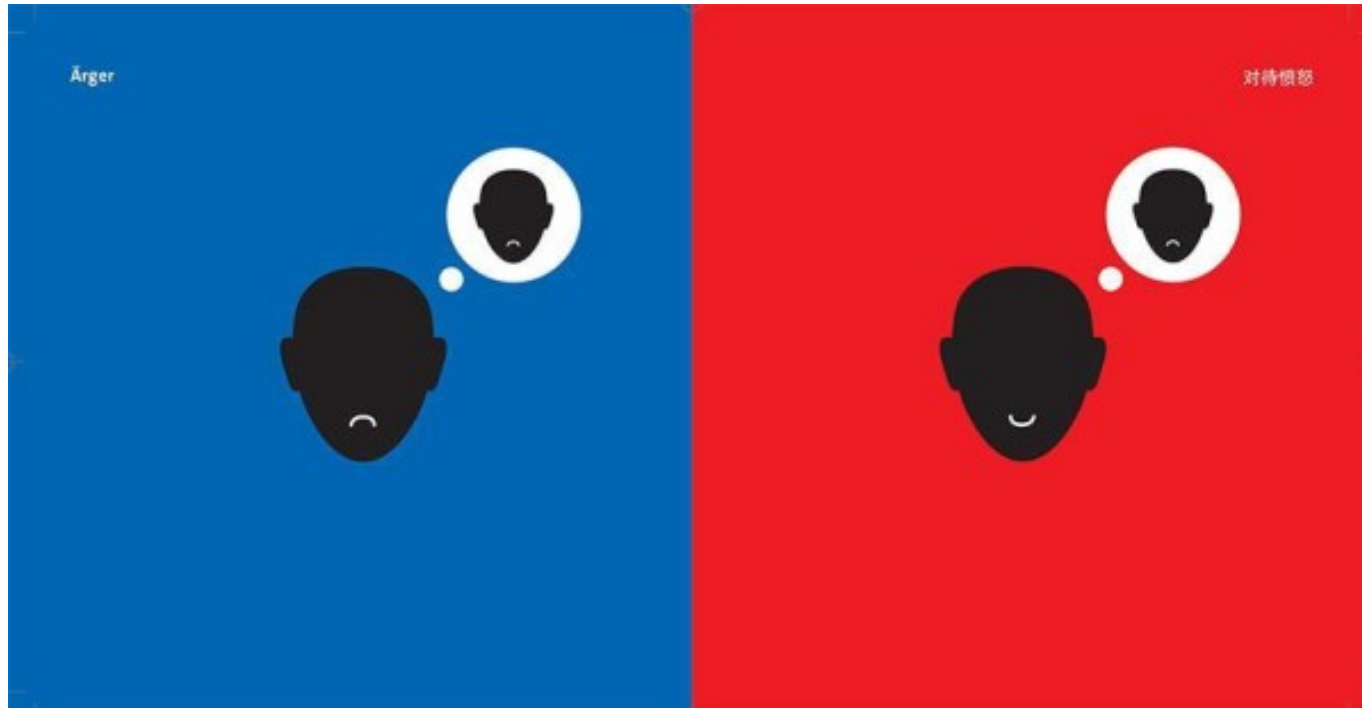
What's trending



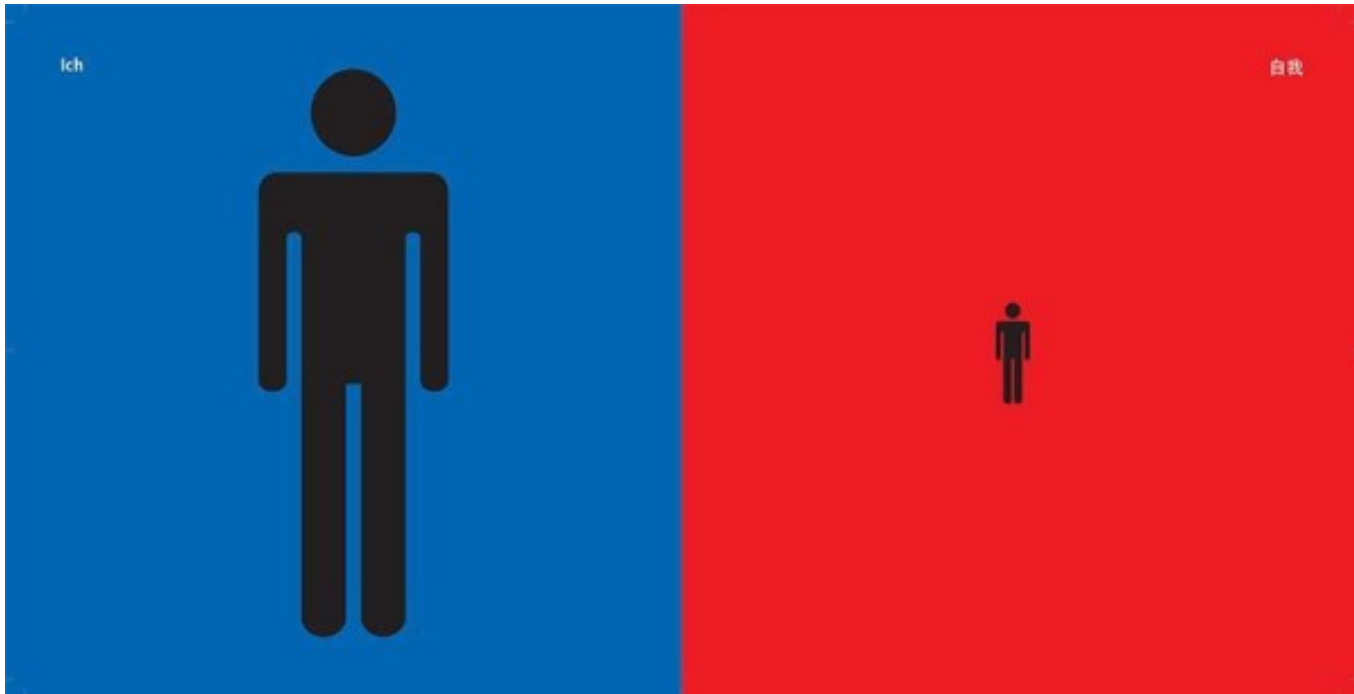
Children in the family



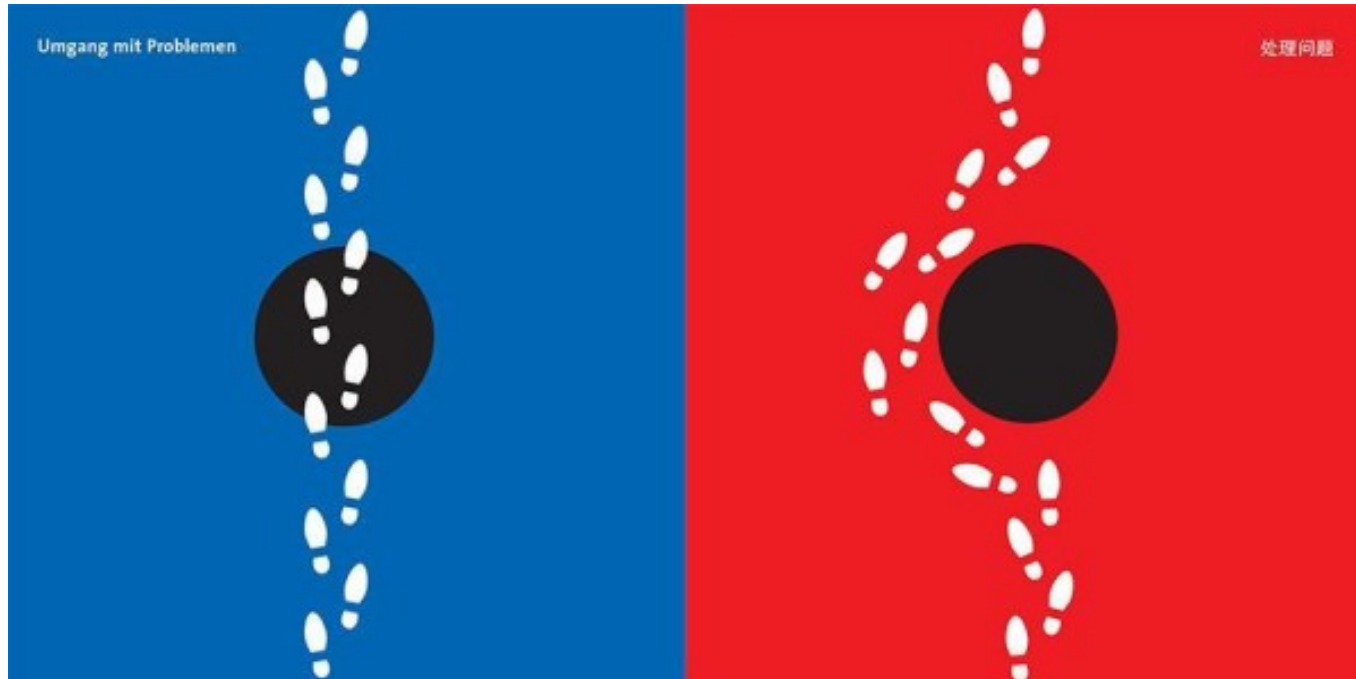
Attitude towards punctuality



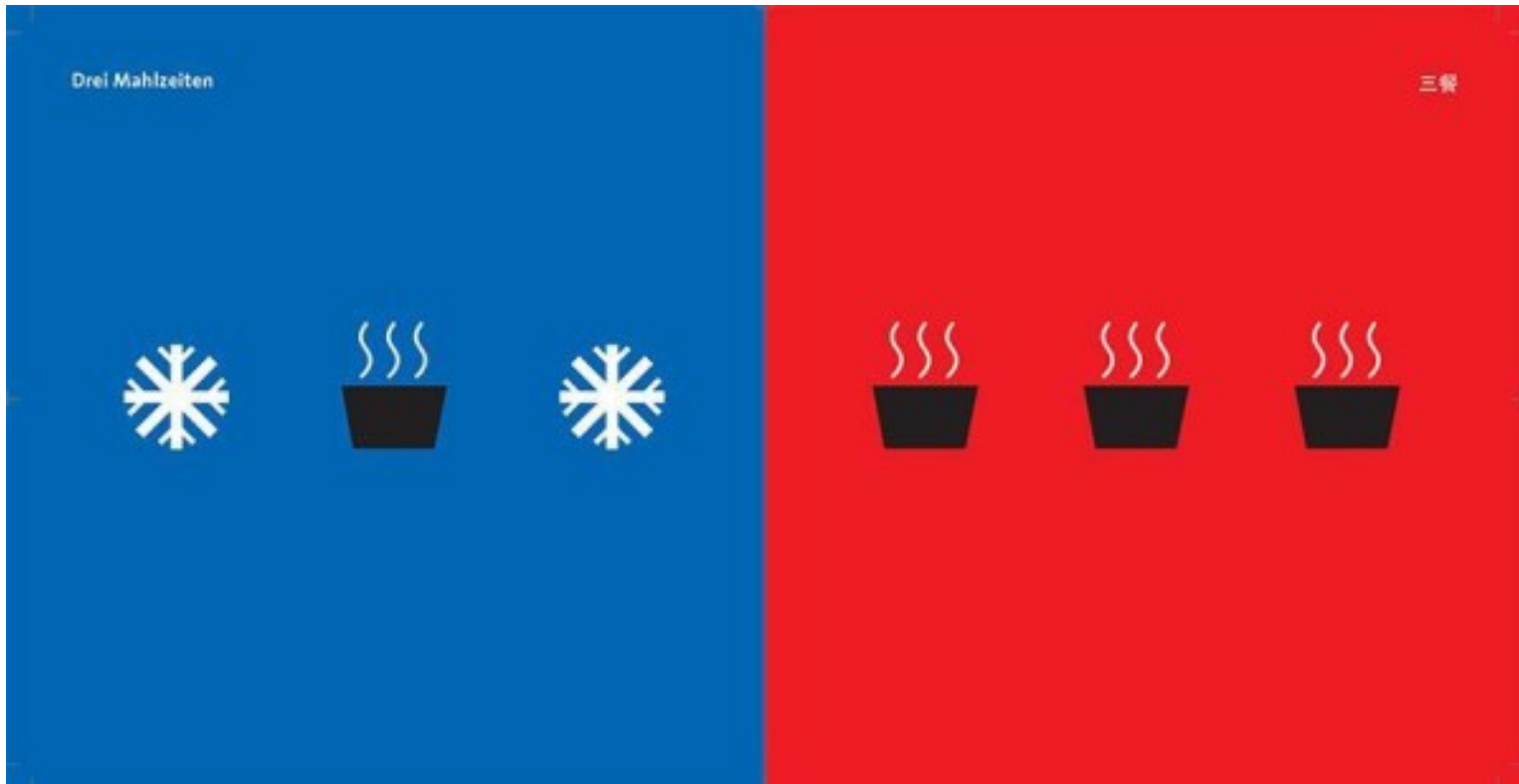
Expressing feelings



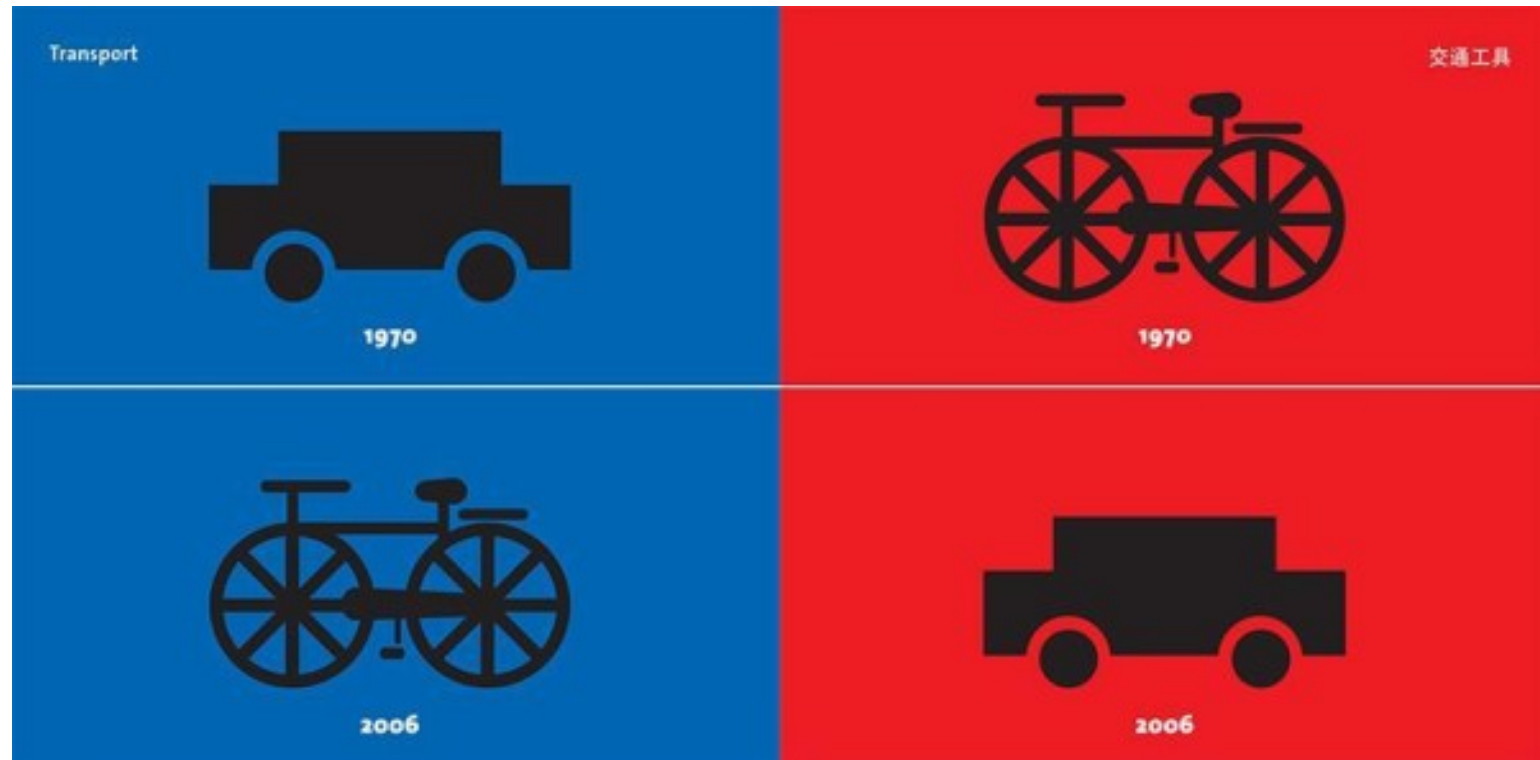
Self perception



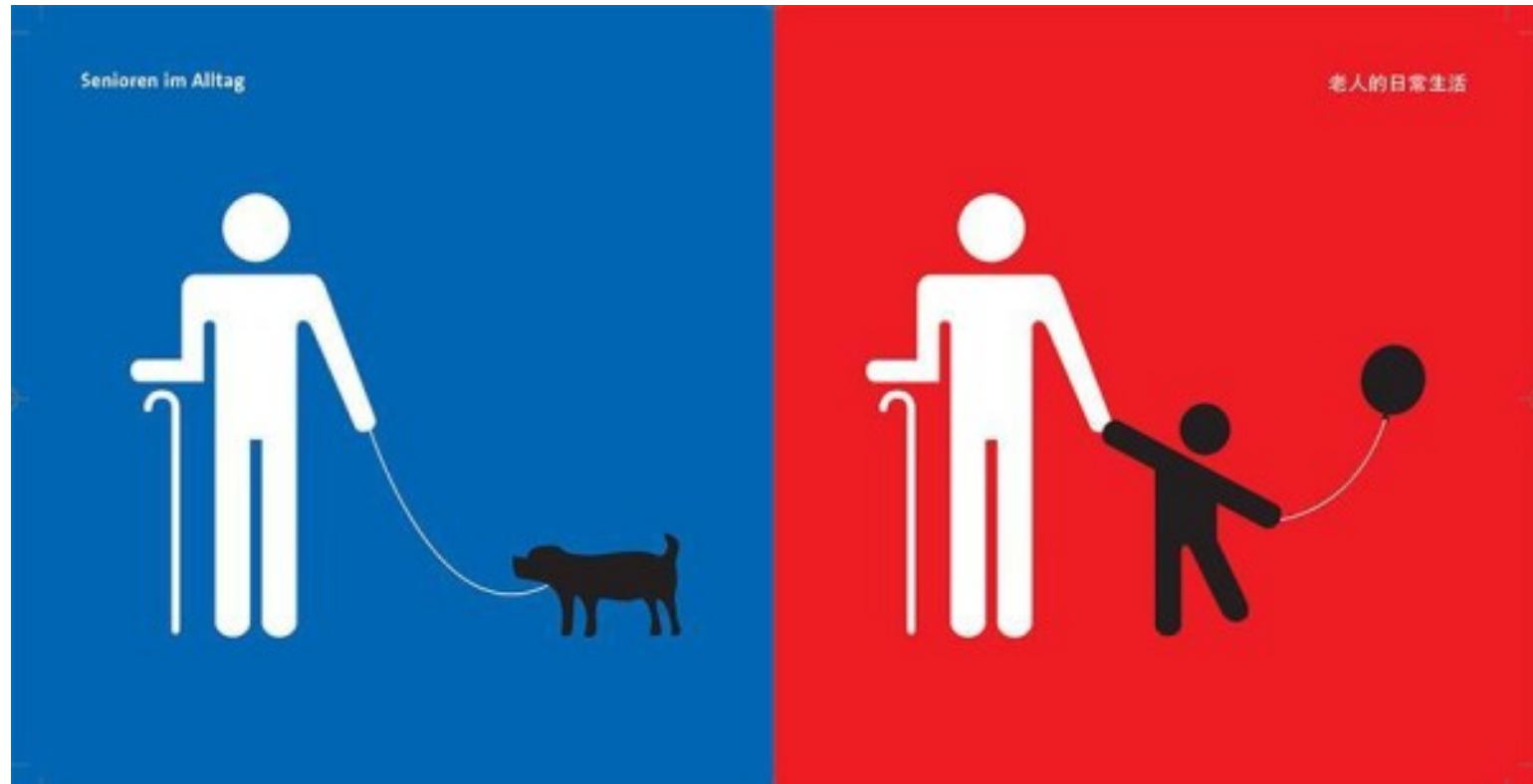
Dealing with problems



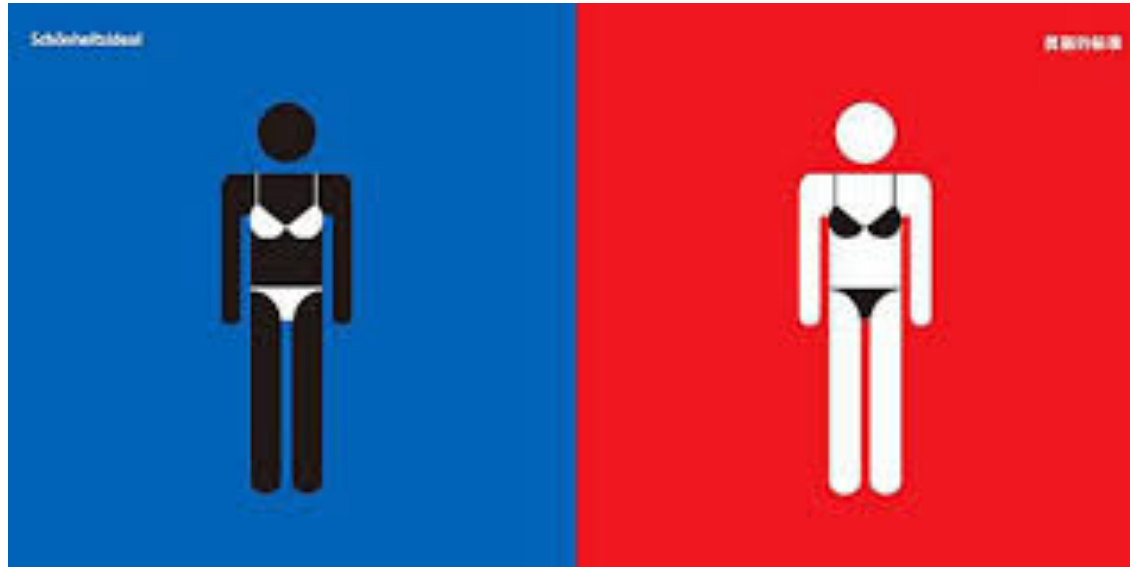
Three meals a day



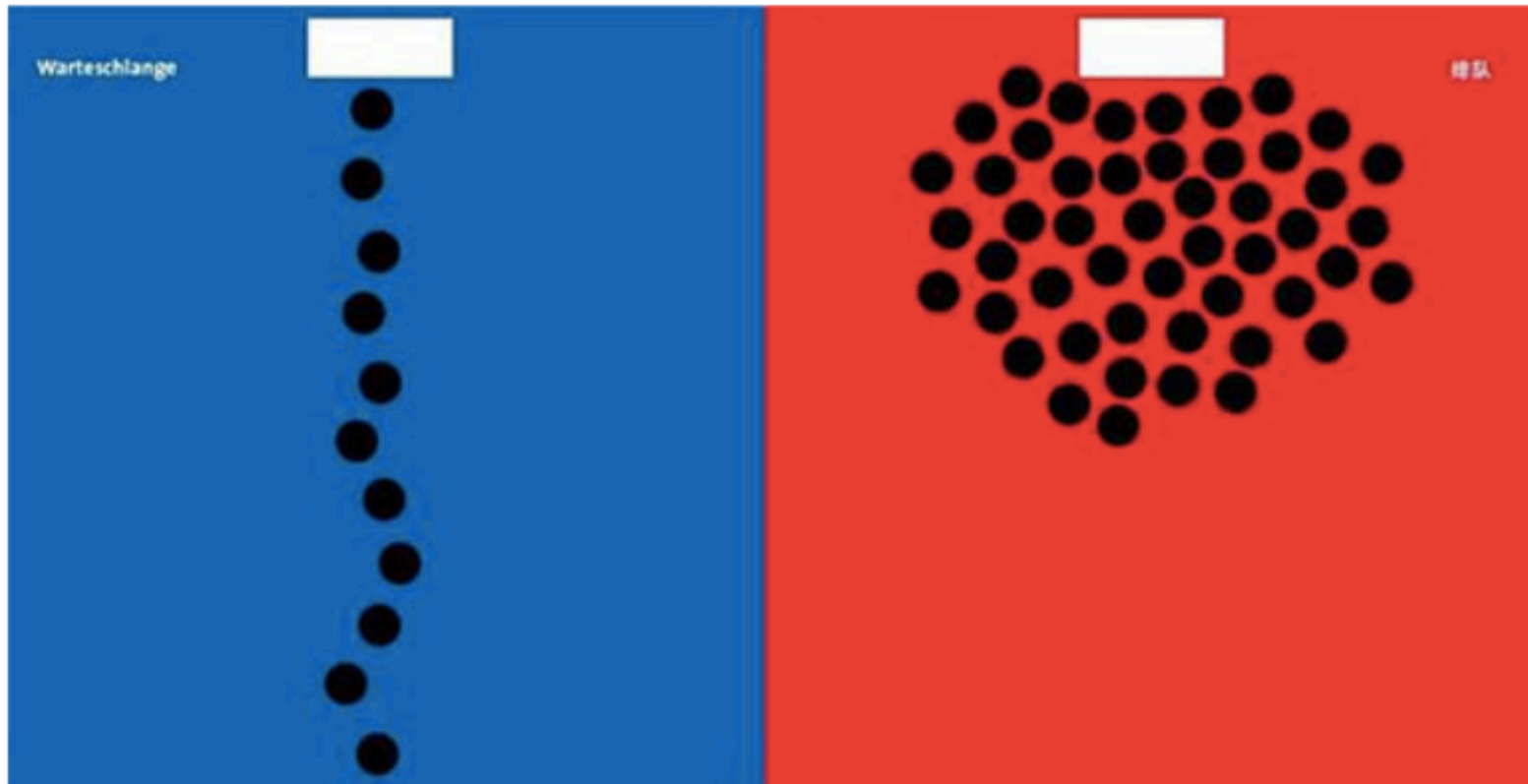
Means of transportation



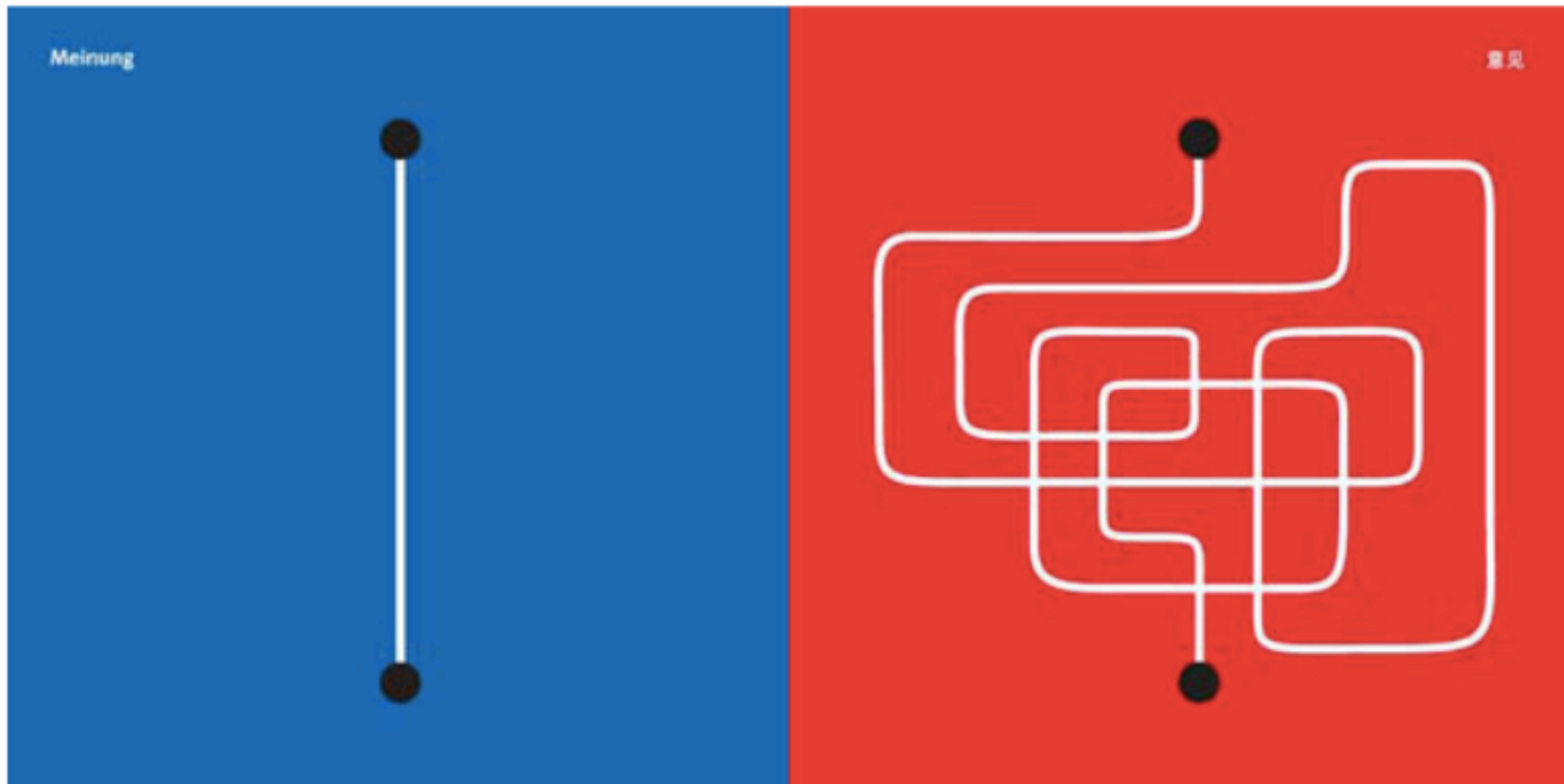
Everyday life of elderly



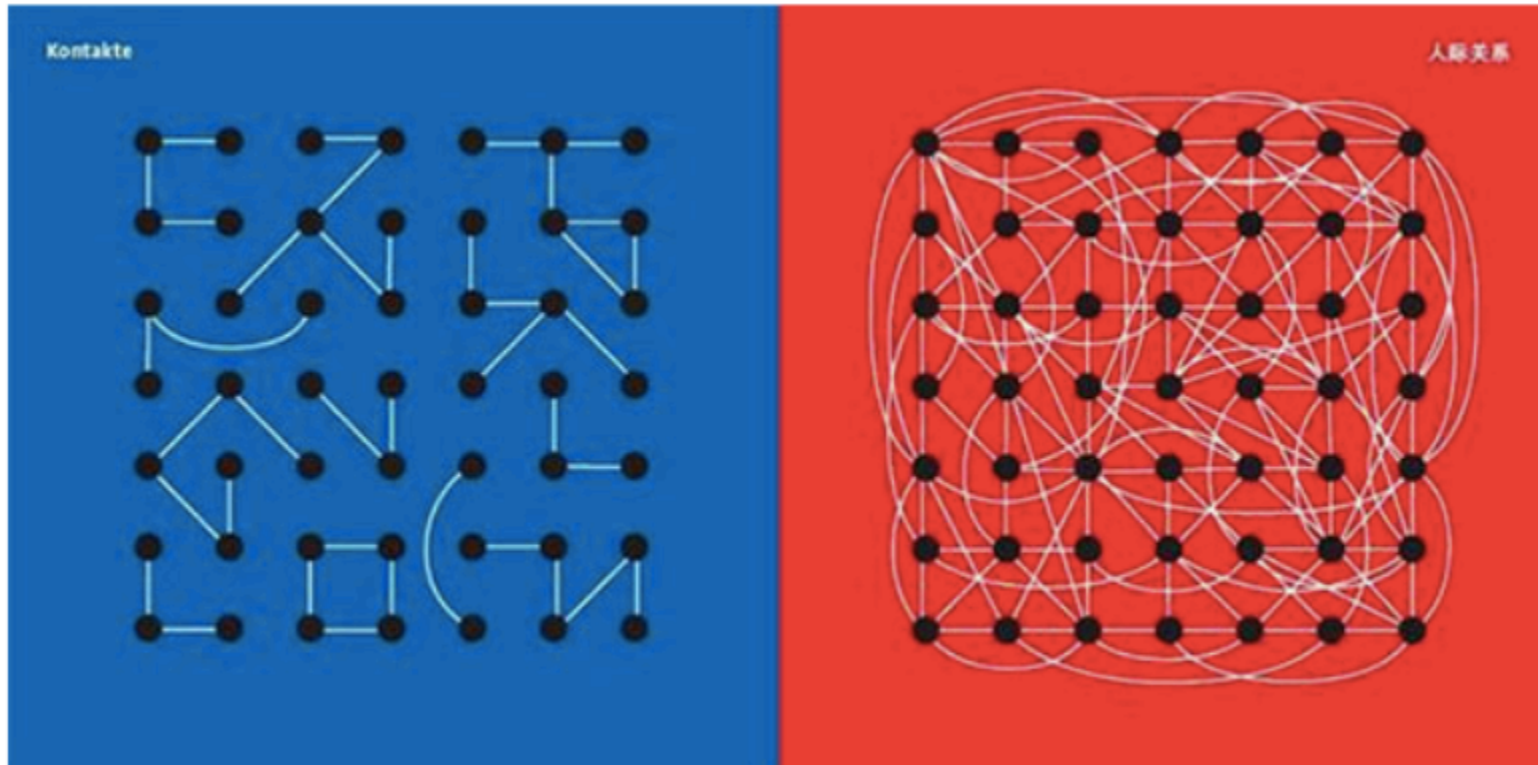
Perception towards beauty



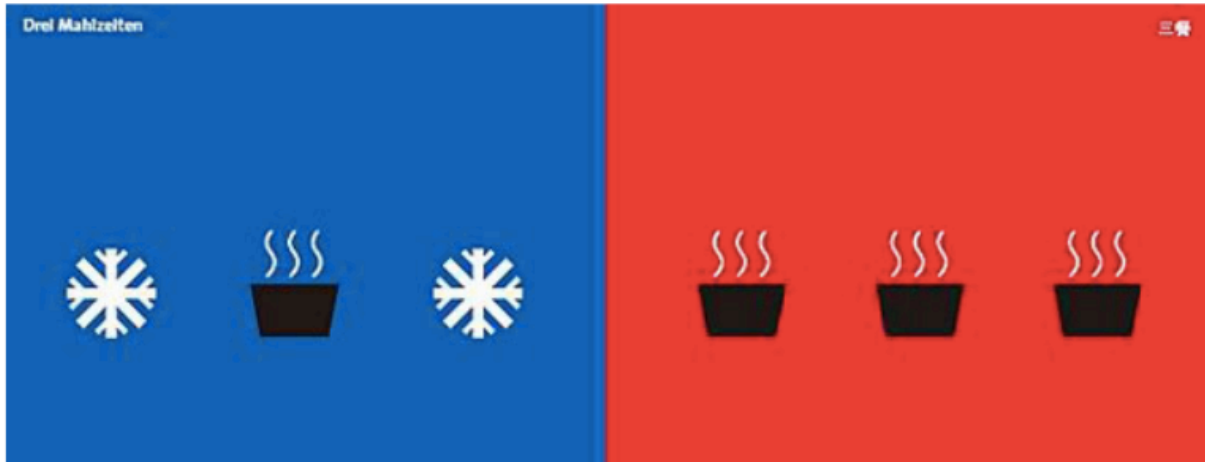
How to stand in line



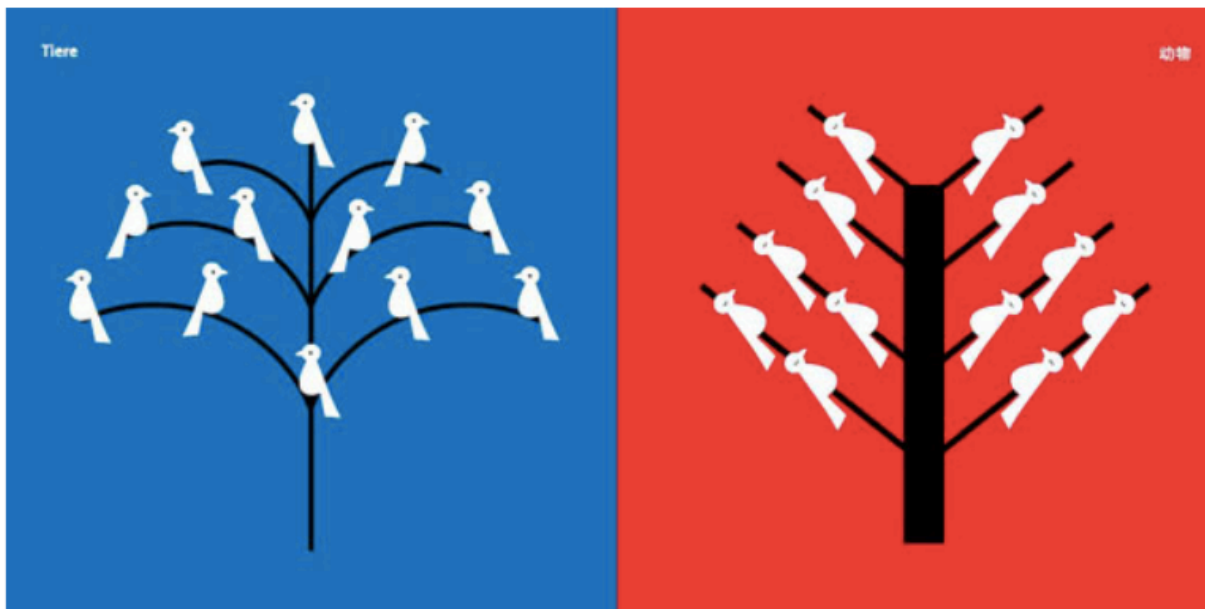
Complexity of self-expression



Connections and contacts



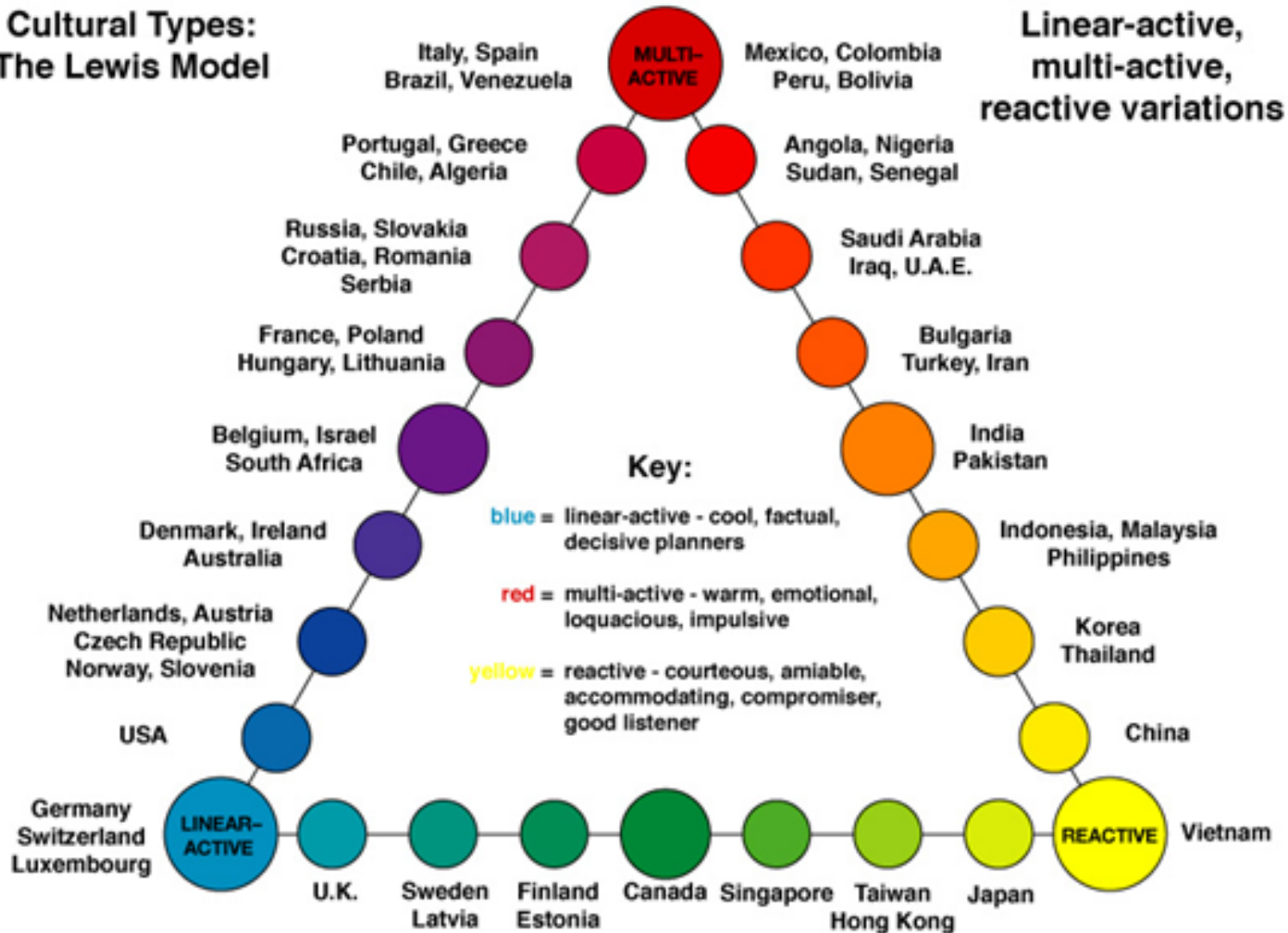
Three meals a day

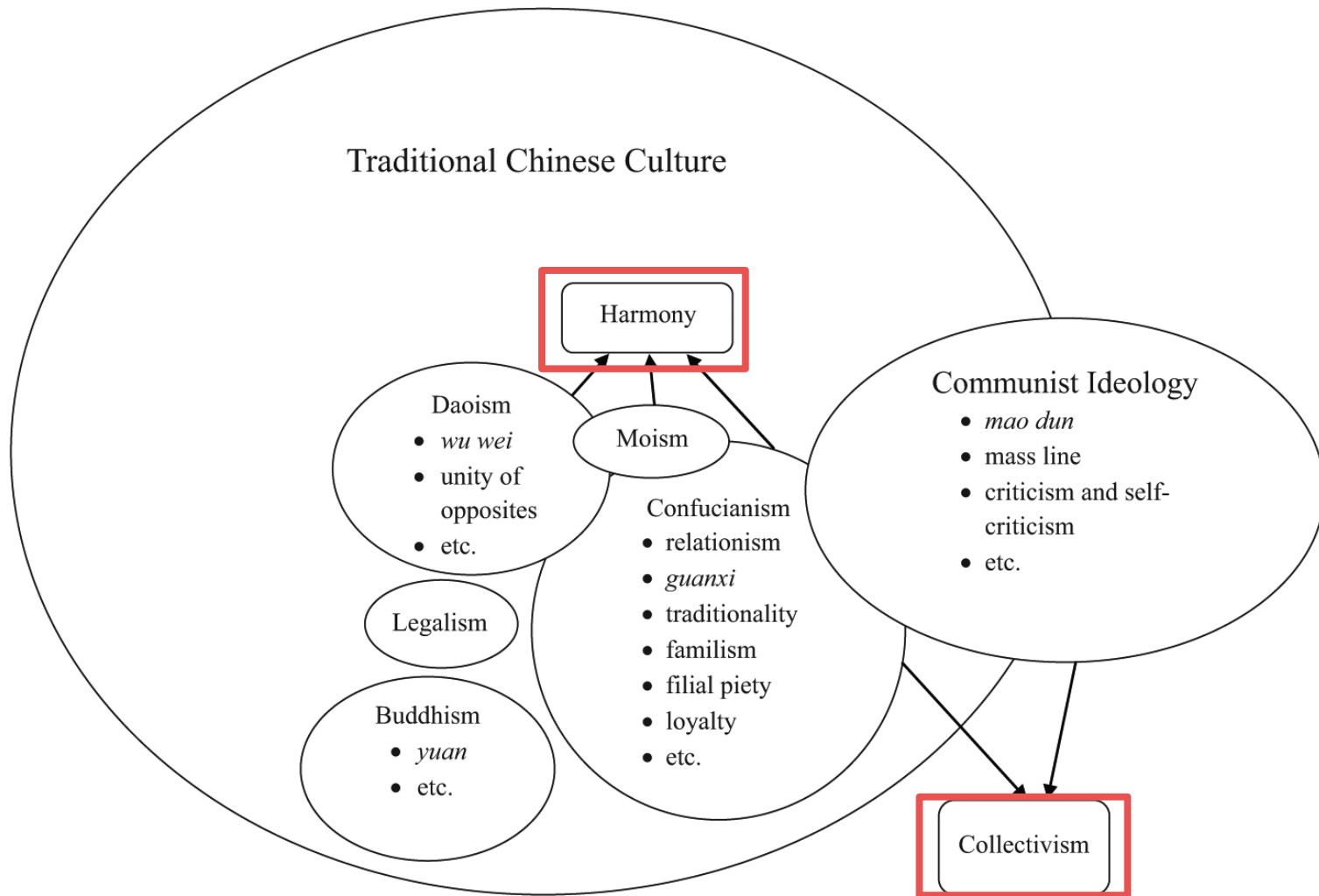


Animals



Cultural Types: The Lewis Model





Canchu Lin, (2010) "Studying Chinese culture and conflict: a research agenda", International Journal of Conflict Management, Vol. 21 Iss: 1, pp.70 - 93



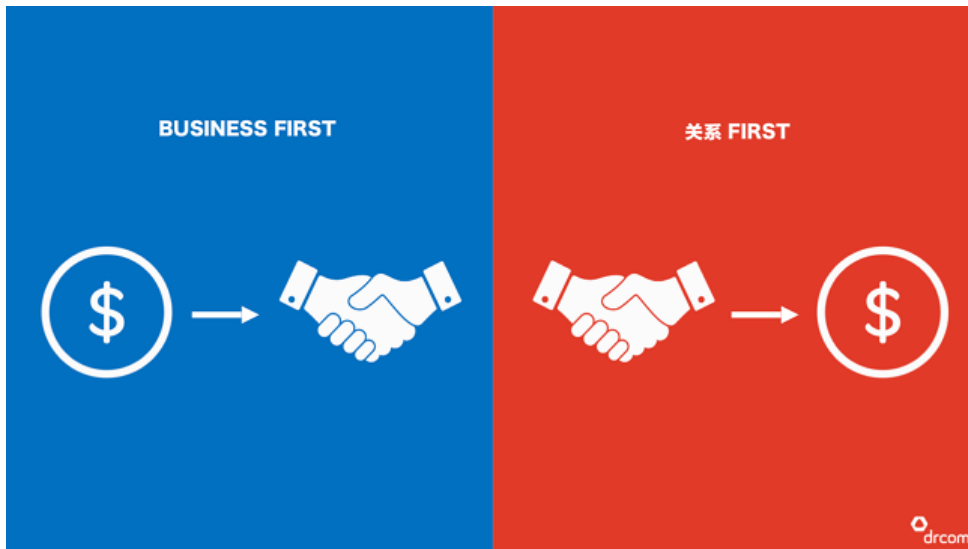
Culture Values Expressed	West (American & Most European countries)	East (The Chinese and Most Asian countries)
Type of logic	Linear (More causal relationships and direct associations between A and B)	Spiral (more roundabout and subtle)
Expression of agreement and disagreement	More argumentative, willing to express disagreement verbally	More difficult to say no even if one means no, disagreement expressed indirectly
Communication of Information	More meaning is in the verbal message. Use of direct language	Meaning is often implied or must be inferred. Use of indirect language
Expression of honesty	More overt, one is more likely to ask the person to “speak their mind”	Subtle, nonverbal



Culture Values Expressed	West (American & Most European countries)	East (The Chinese and Most Asian countries)
Expression of self	"I"-oriented Sender-oriented	"We"-oriented Receiver-sensitive
Thinking orientation	More rule based or based on application of abstract principles such as regulations or laws	Tends to take context and the specific situation into account in rule interpretation
The individual	Has to have rights and greater need for individual achievement	Group duty and preservation of harmony
Conflict Resolution	Trial or confrontation, use of lawyers and courts	More mediation through trusted third parties



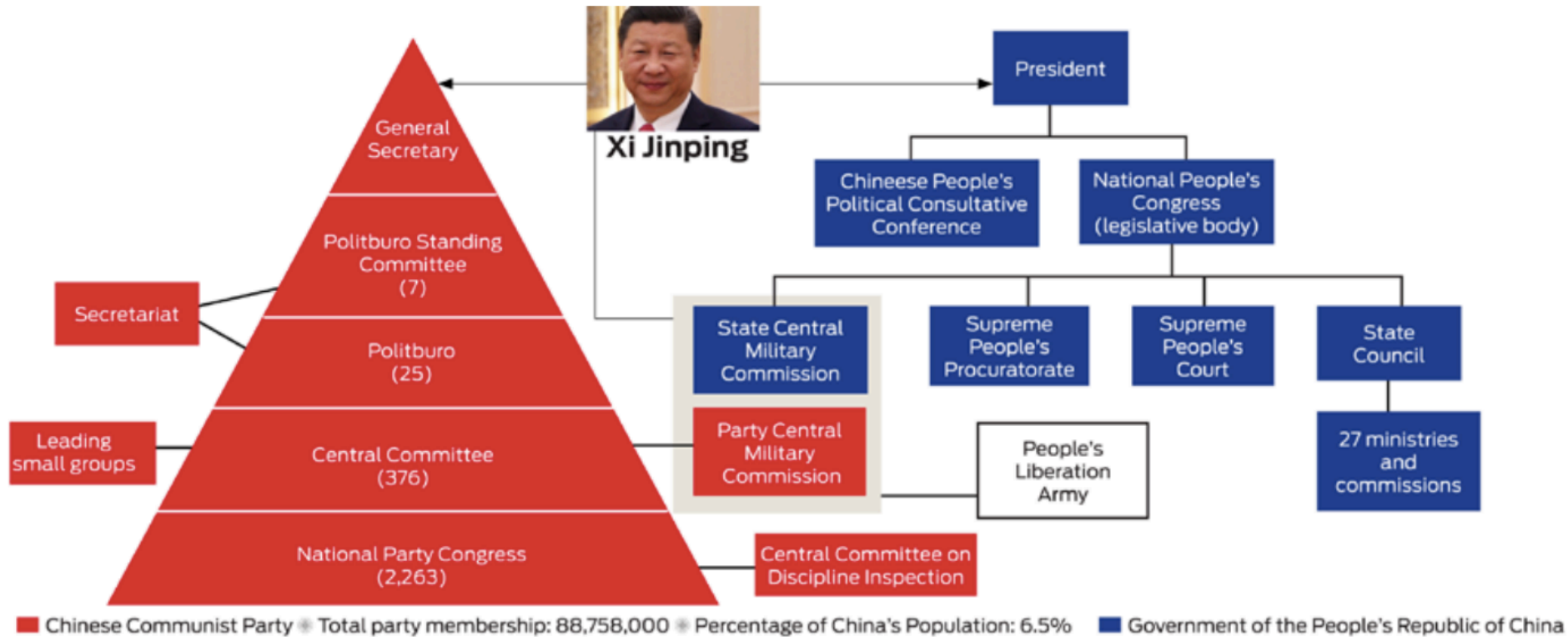
Culture Values Expressed	West (American & Most European countries)	East (The Chinese and Most Asian countries)
Nature of the business relationships	Less important, tend to substitute relationship for written agreement, easy to form, not always long lasting	Most import business cannot occur until relation if sounds, written agreement secondary to guan xi, hard to form, long lasting
Time sense during meetings	Be on time and end on time	Appointment less driven by exact start and end time
Conflict results	Win or lose	Win-win, to lose is to win, or lose in order to win



Two key concepts:

Guanxi (relationships)

Mianzi (face)





Questions?



Entering Chinese Market

There are many Chinas in China!



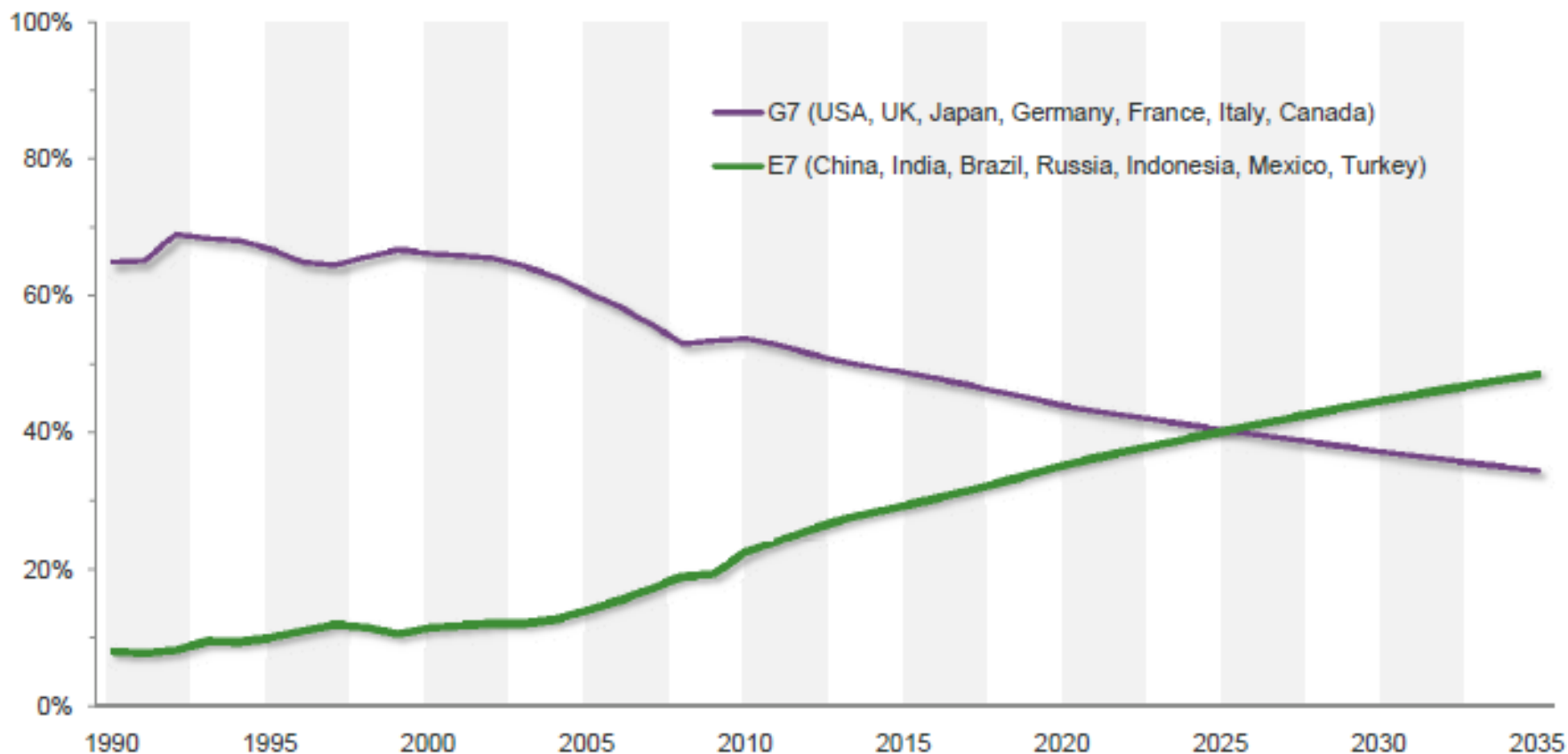
Chinese Market Entry

- Preparations on internationalization
- Market analysis (regional differences & Chinese consumers)
- Competitor assessment
- Entry options (entry mode choices)
- Implementation
- Revising strategy & optimization



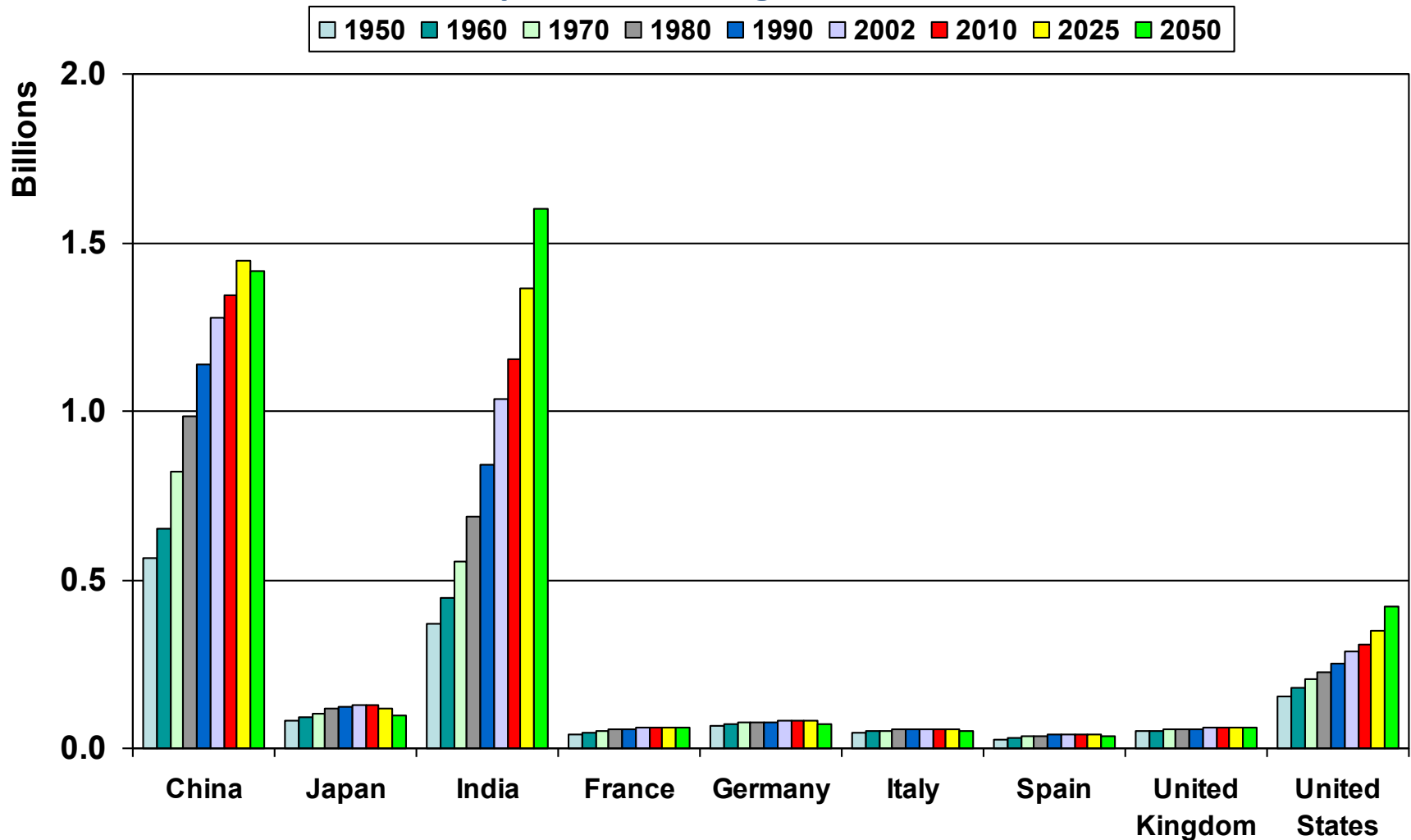
The 21st Century is changing the balance of power

Share of Global GDP



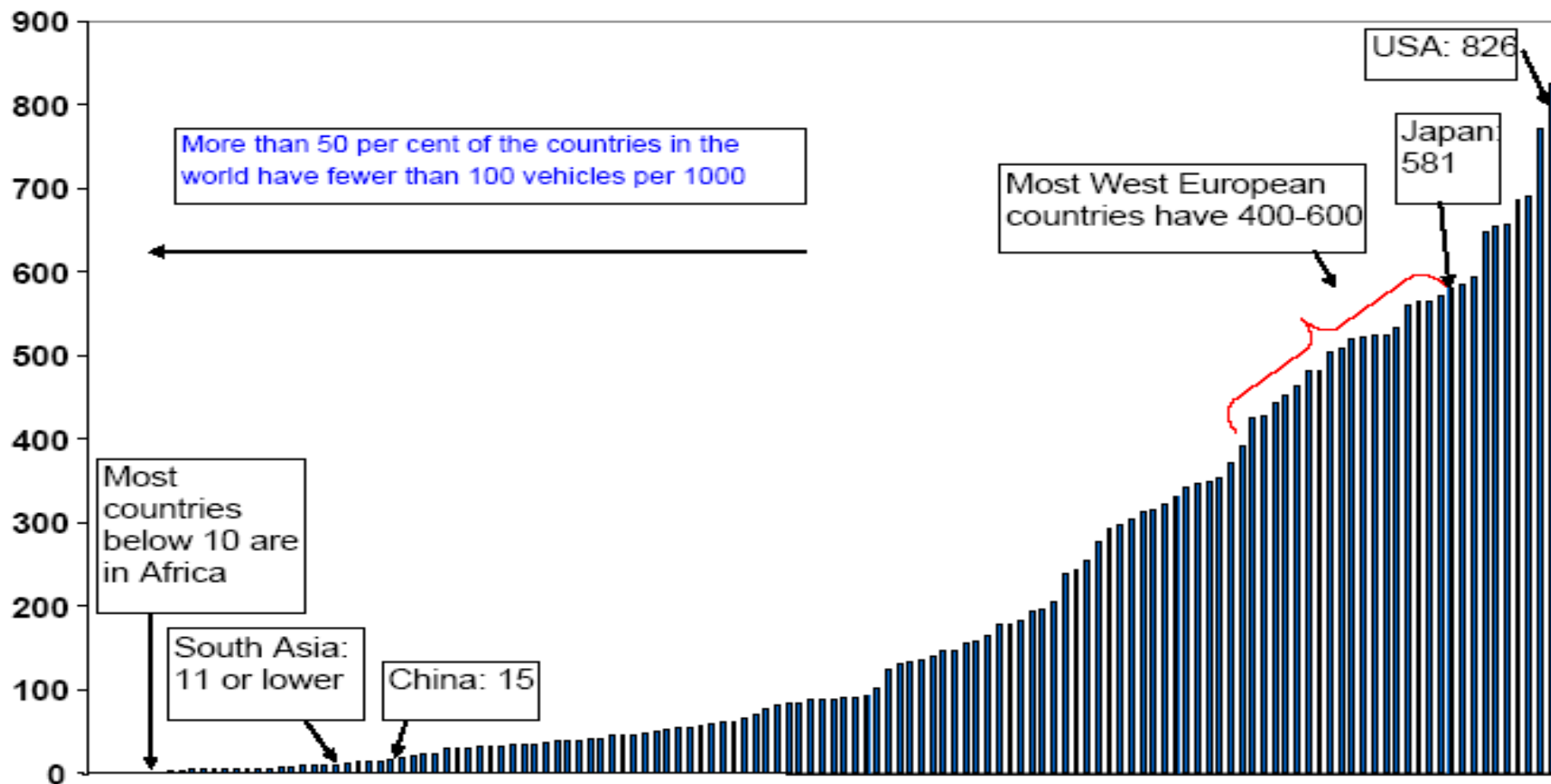


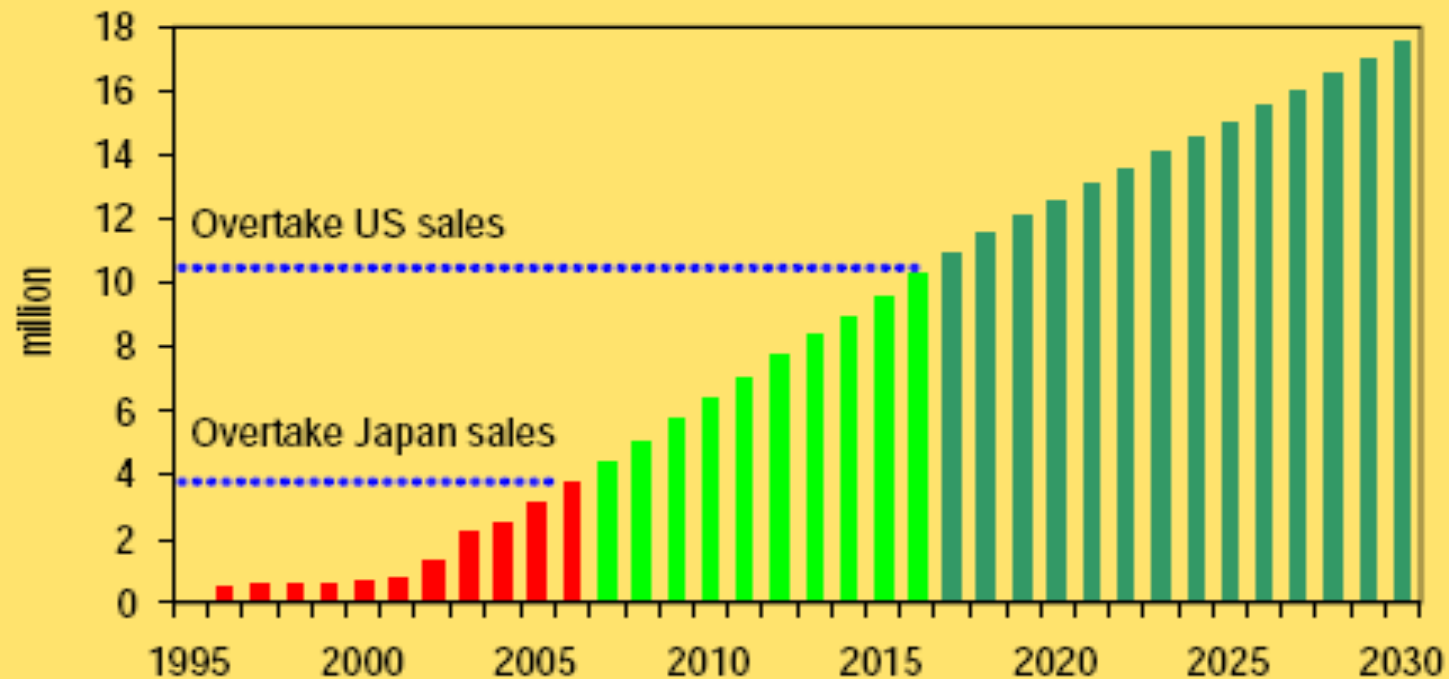
Population Change 1950- 2050





Cars per 1000 inhabitants in 2005





China's oil imports reach 13 mb/d in 2030 as car ownership jumps to 140 per 1 000 people from 20 today



BY THE NUMBERS

**The global economy
by GDP**

\$74 trillion

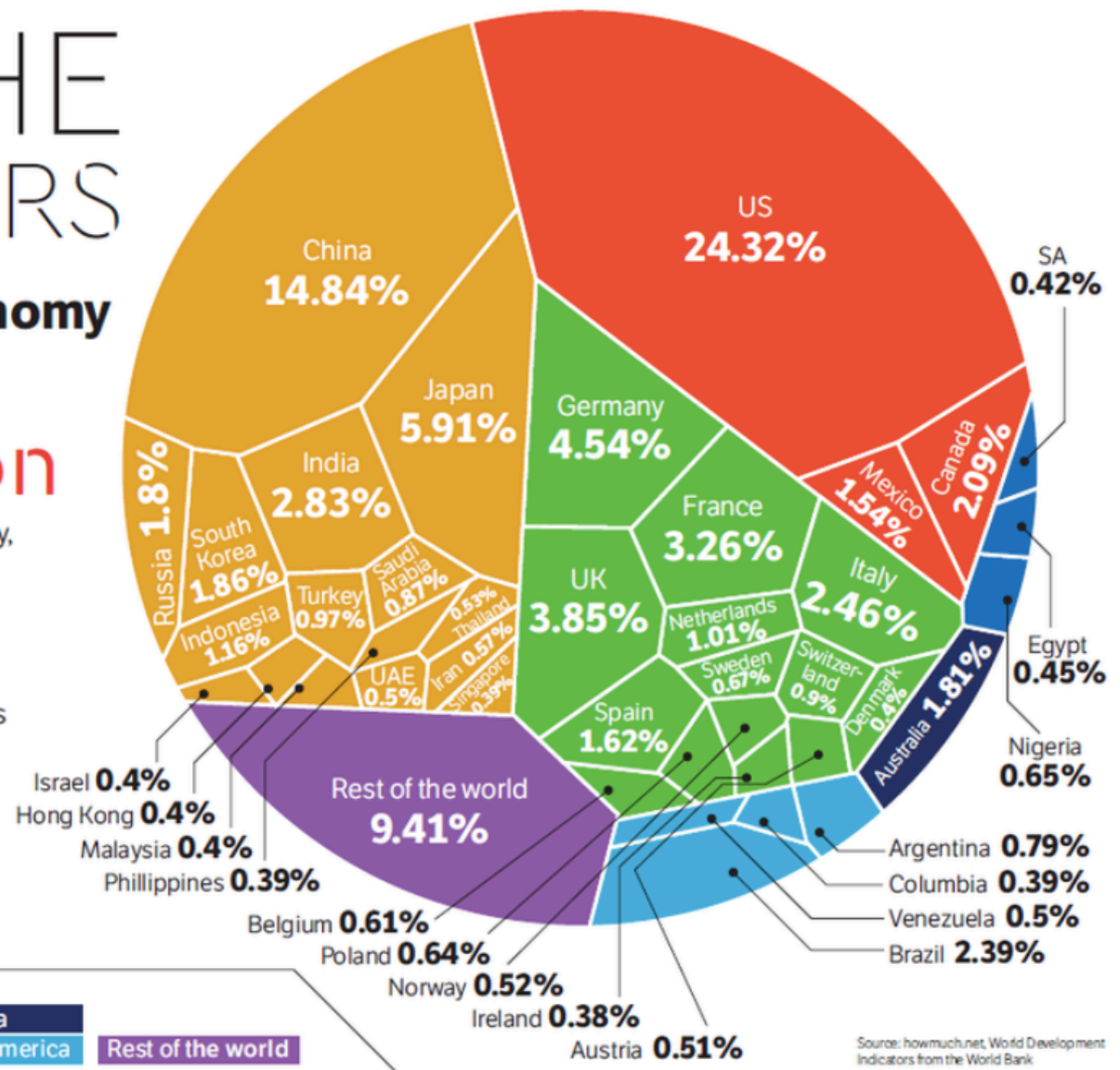
is the size of the global economy,
according to World Bank data

40

of the world's largest economies
are plotted here

155

countries make up the "rest of
the world" section of this chart

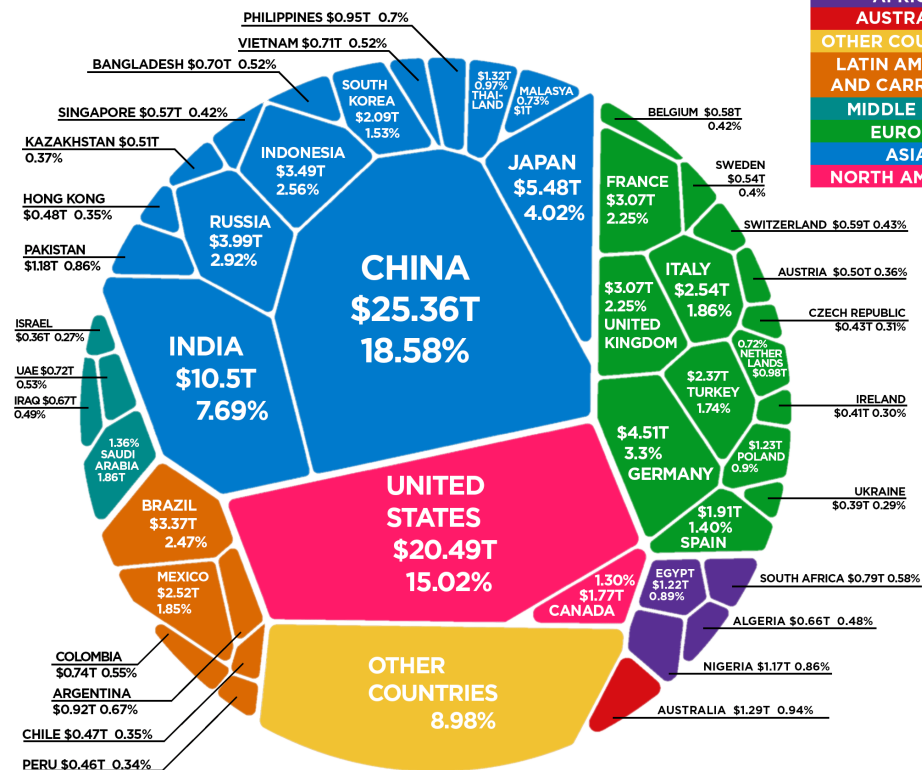




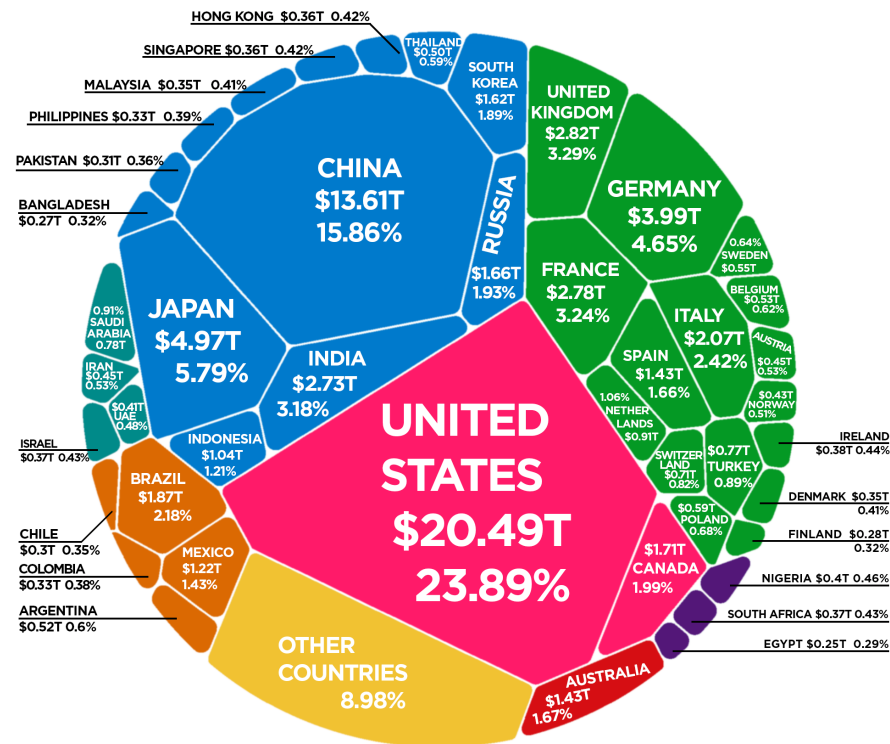
Changes in the World GDP when Adjusted by Cost of Living

GDP at PPP (2018)

World's Region

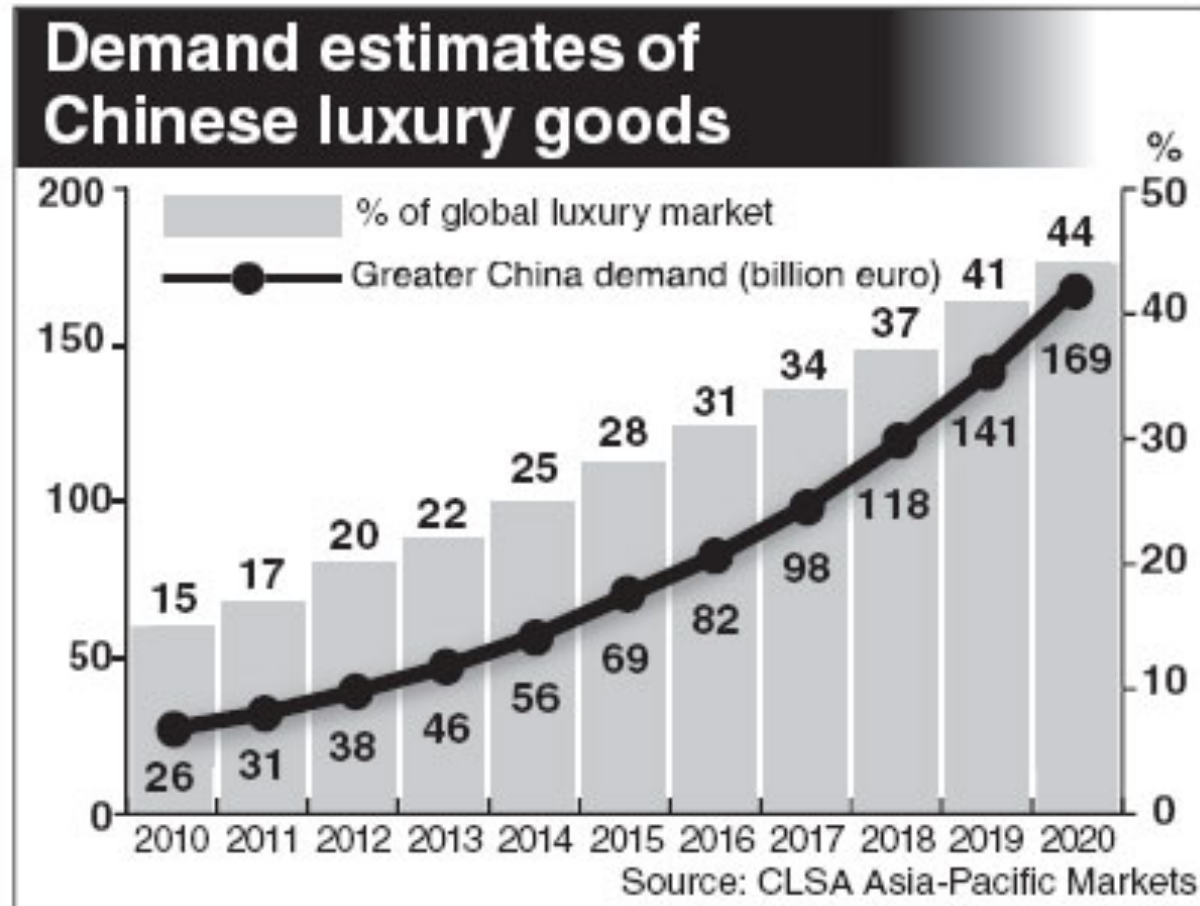


GDP (2018)



Article & Sources:

<https://howmuch.net/articles/the-world-economy-ppp-2018>
The World Bank - <https://databank.worldbank.org>





Regional Differences



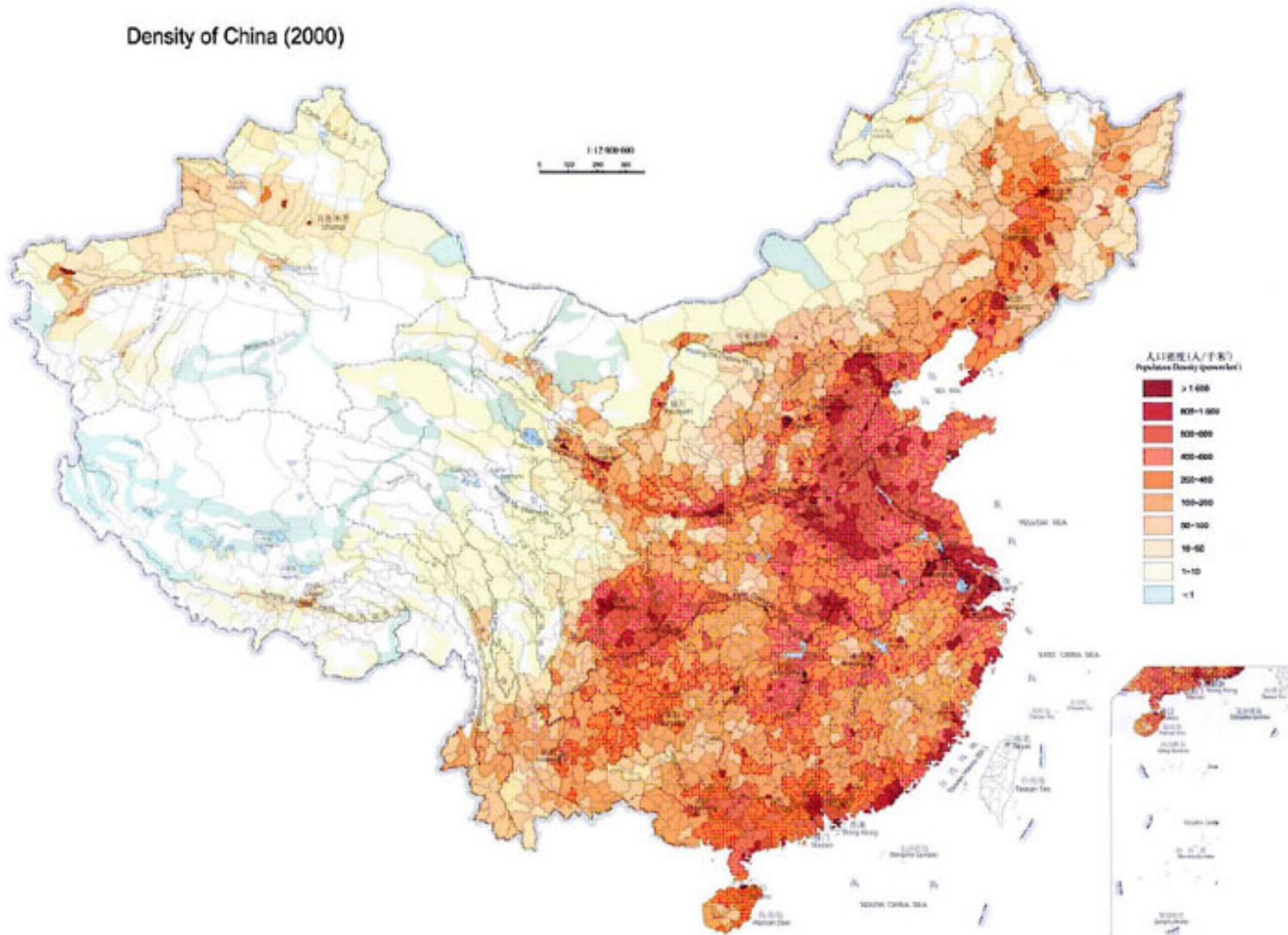
According to the World Bank, more than 850 million Chinese people have been lifted out of extreme poverty; China's poverty rate fell from 88 percent in 1981 to 0.7 percent in 2015.



23 provinces, 5 autonomous regions, 4 municipalities and 2 special administrative regions of Hong Kong and Macau.



Density of China (2000)



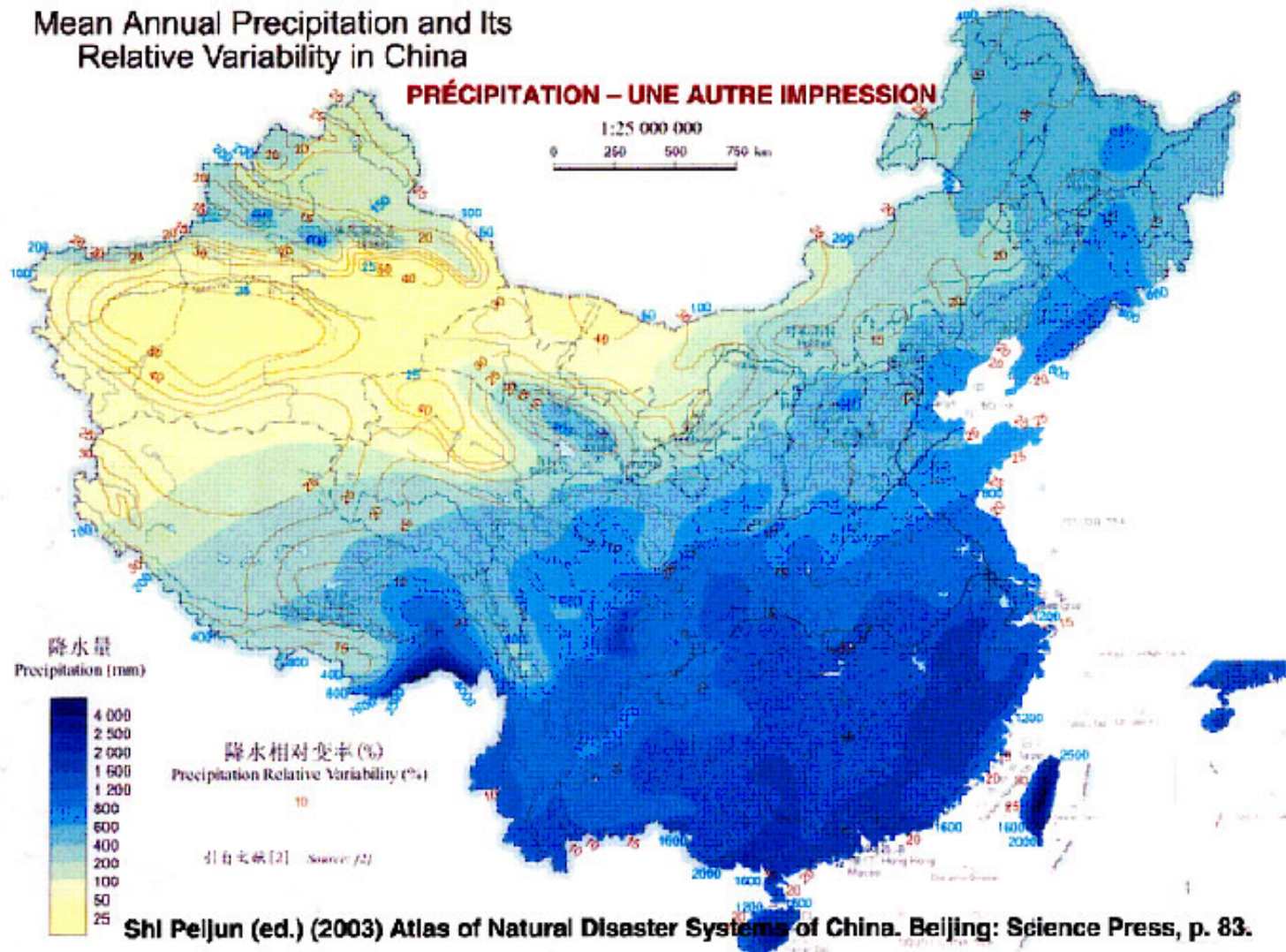
Altitude des provinces



SOURCE: LASSERRE Frédéric, L'éveil du dragon, Les défis du développement de la Chine au XXI^e siècle, Sainte-Foy, Presses de l'Université du Québec, 2006 p. 230

China is spread across three types of mountainous regions. More than 40% of the country is at an altitude of over 200m. The highest point is Mt Everest (8,844m).

Mean Annual Precipitation and Its Relative Variability in China



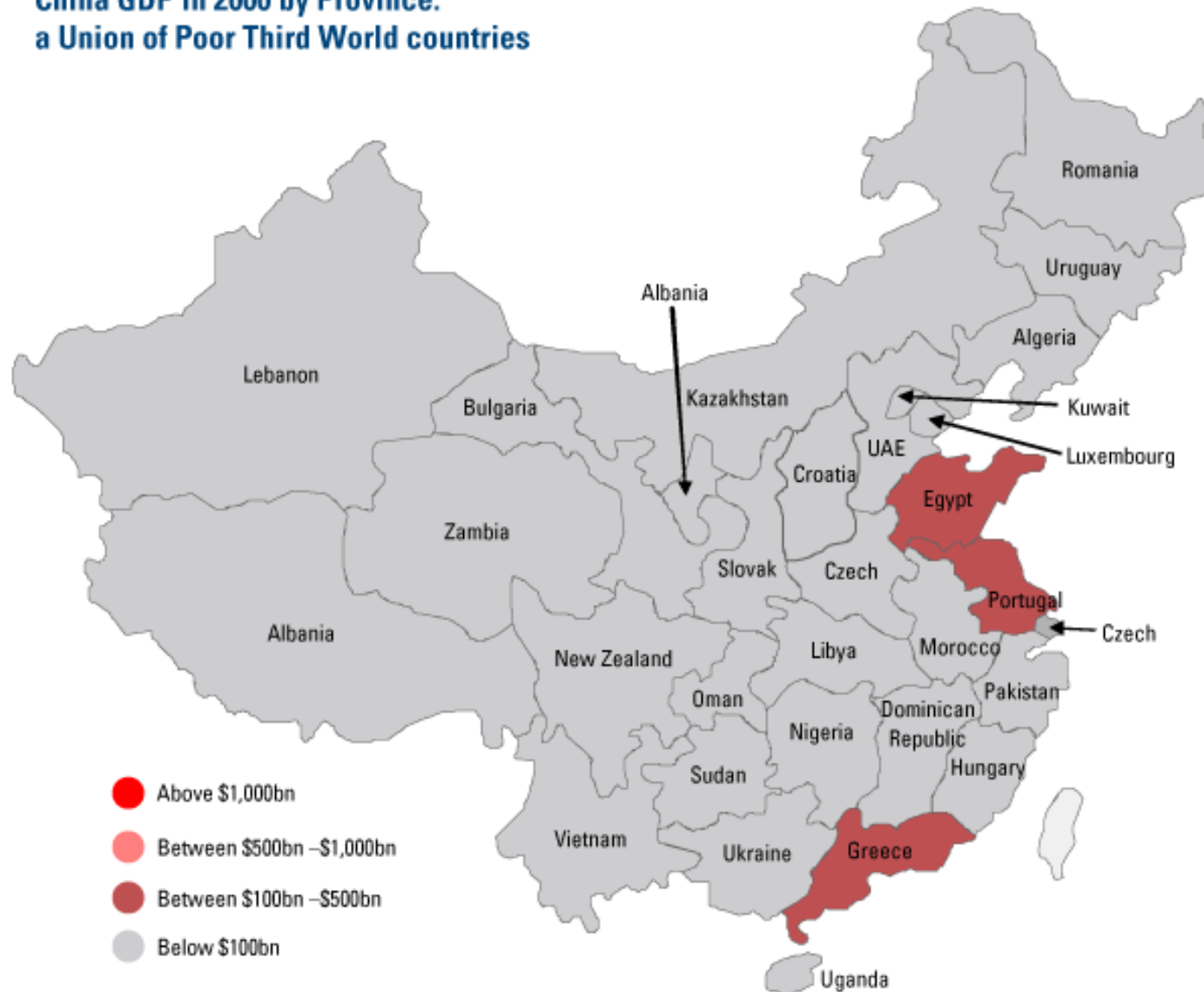


Note: The regional boundaries are simplified, thus do not reflect the actual demarkations

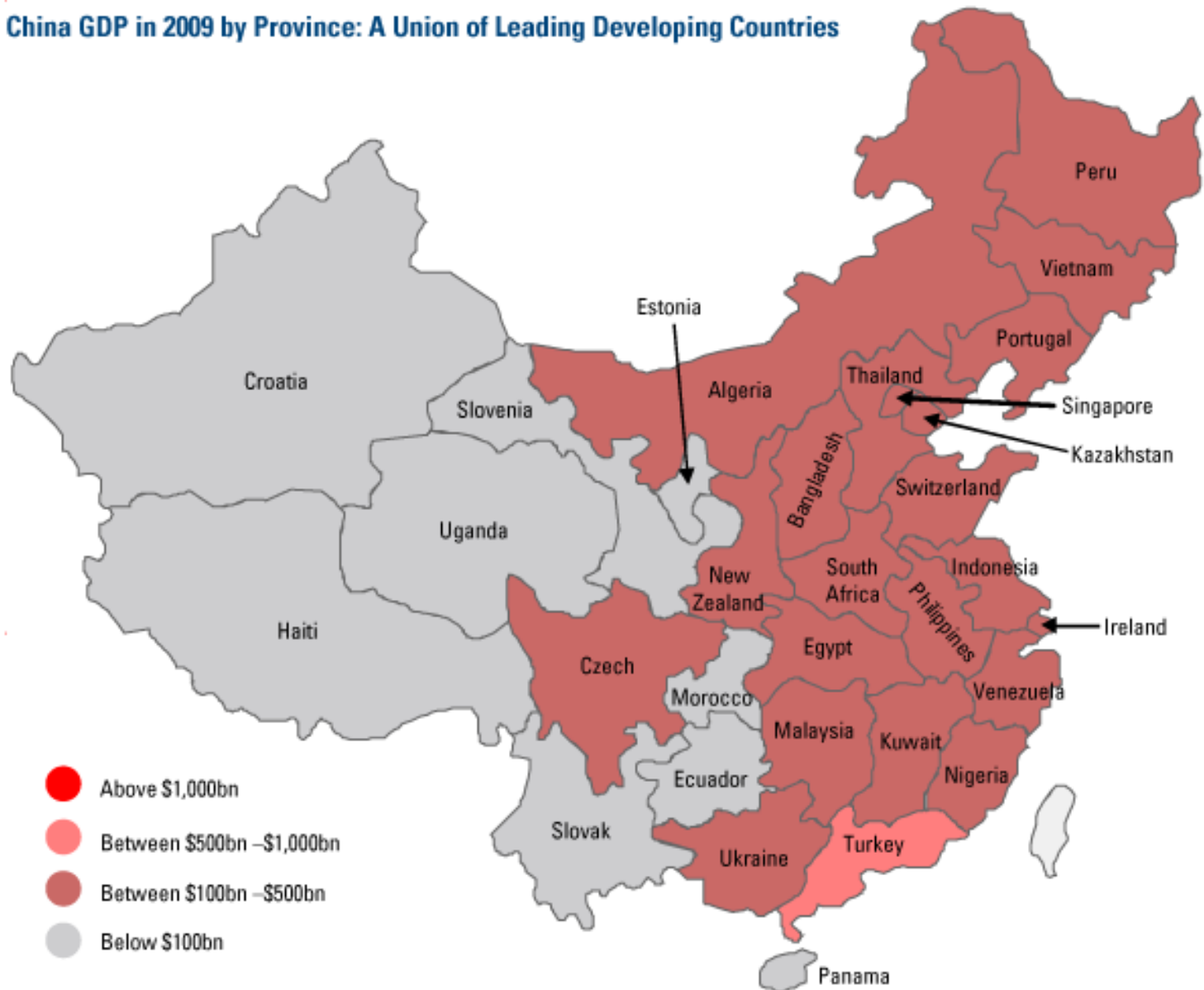
Source: Cui and Lu (2000)



China GDP in 2000 by Province: a Union of Poor Third World countries



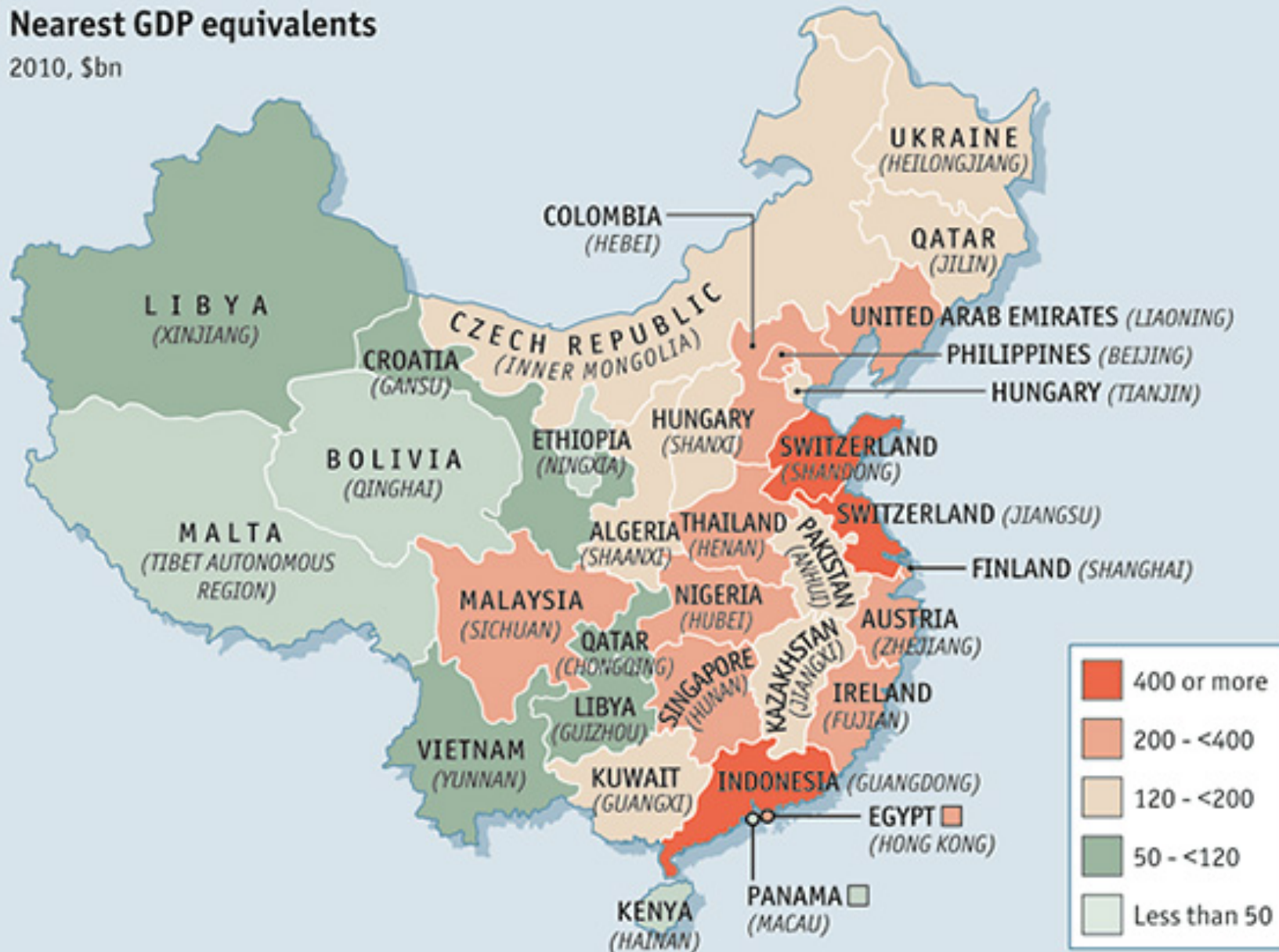
China GDP in 2009 by Province: A Union of Leading Developing Countries



Source: HSBC, CEIC, IMF, CIA

Nearest GDP equivalents

2010, \$bn





中国省级行政区人均GDP分布图（2012年，仅中国大陆）
GDP per capita by province-level divisions of Mainland China in 2012
Based on DATA of China NBS, 2012
average exchange rate: CNY 6.3125 per US\$ 1 in 2012

人民币 CNY	美元 US\$
> 63,125	> 10,000
50,500 – 63,125	8,000 – 10,000
31,563 – 50,500	5,000 – 8,000
25,250 – 31,563	4,000 – 5,000
18,938 – 25,250	3,000 – 4,000

Population

- 2018 estimate ▲ 1,427,647,786 ^{[7][8]} (1st)
- 2010 census ▲ 1,339,724,852 ^[9] (1st)
- Density ▲ 145 ^[10]/km² (375.5/sq mi) (83rd)

GDP (PPP)

- Total ▲ \$27.309 trillion ^[11] (1st)
- Per capita ▲ \$19,504 ^[11] (73rd)

GDP (nominal)

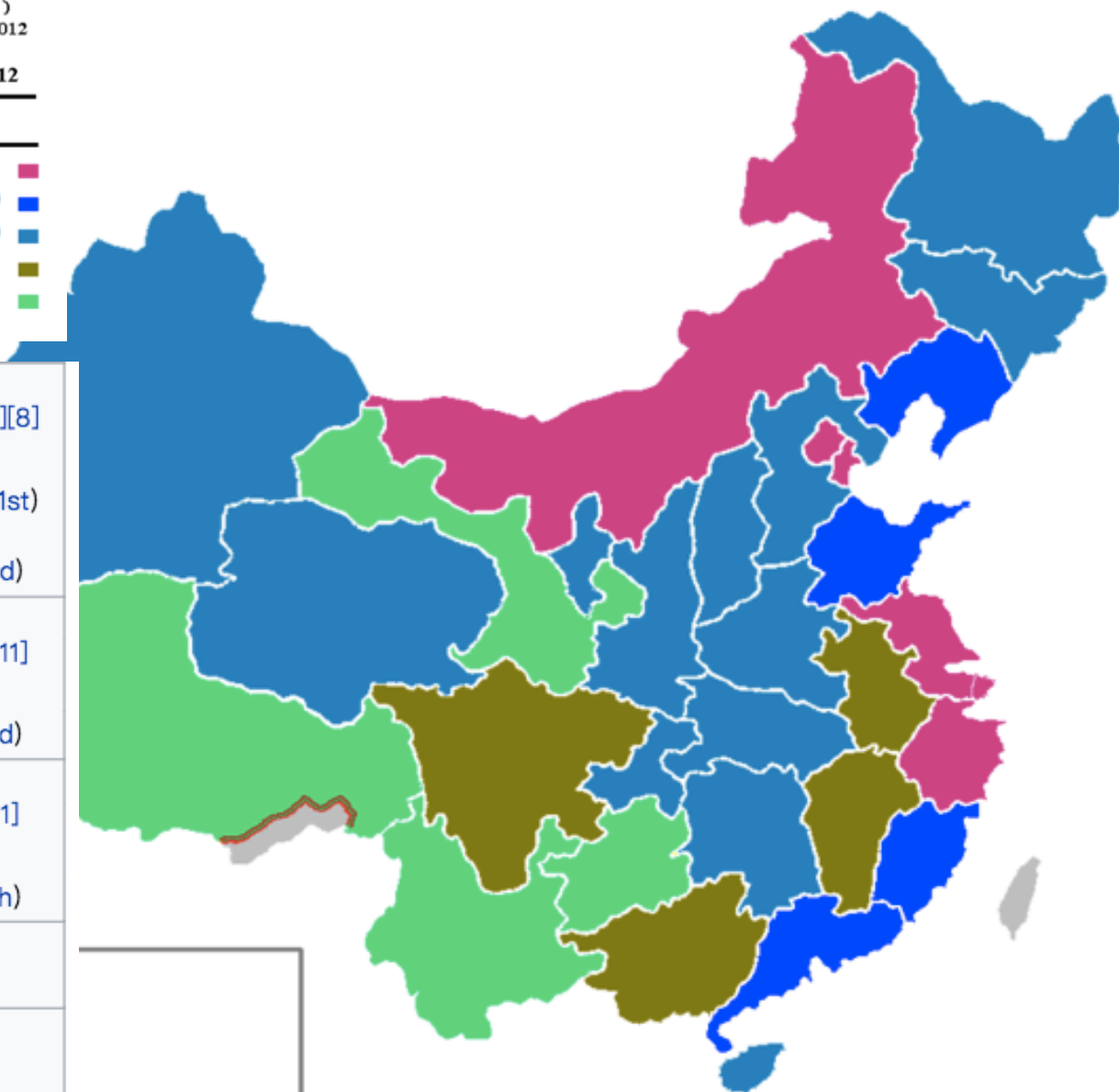
- Total ▲ \$14.140 trillion ^[11] (2nd)
- Per capita ▲ \$10,099 ^[11] (67th)

Gini (2018)

▲ 46.7 ^[12]
high

HDI (2018)

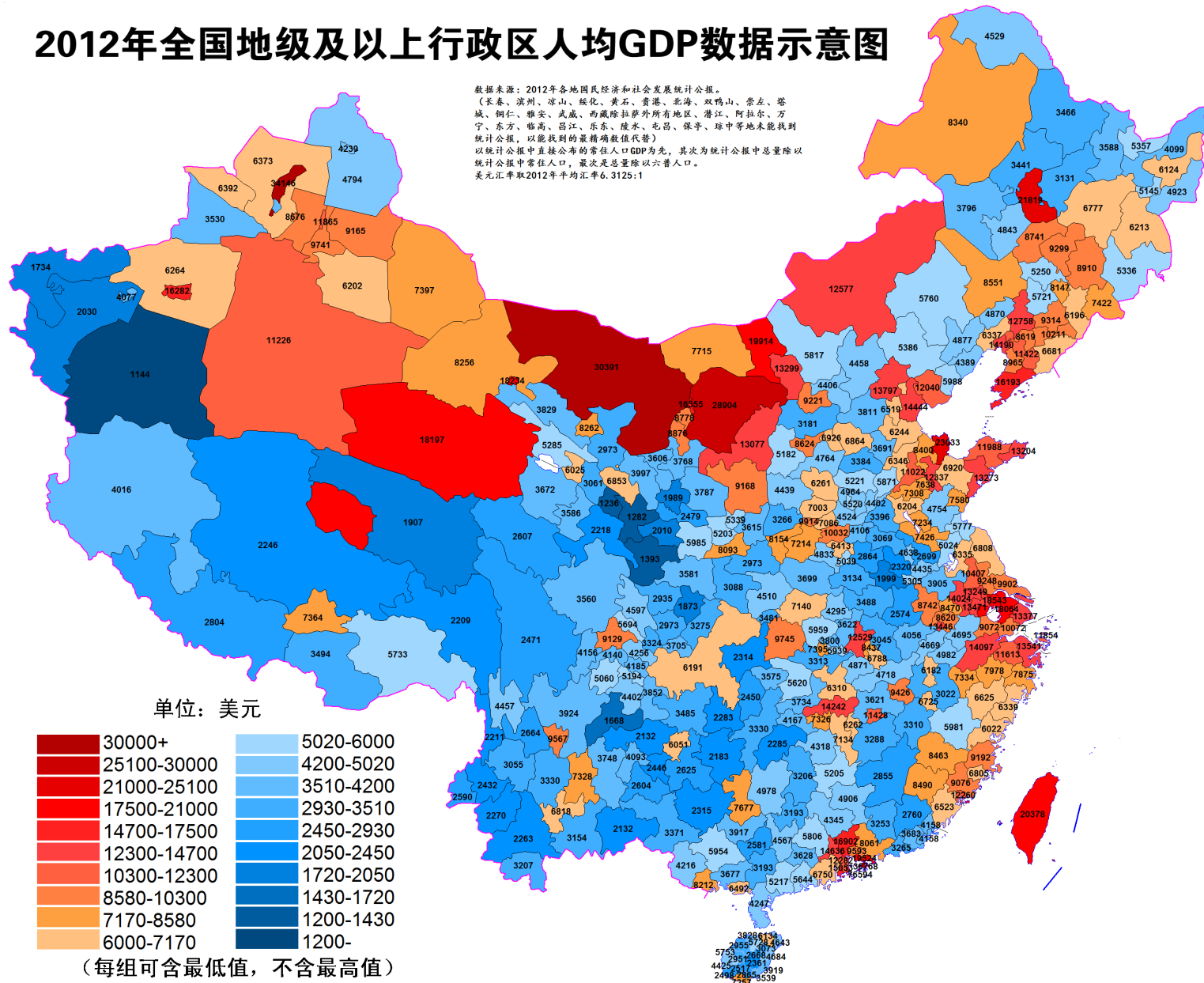
▲ 0.758 ^[13]
high · 85th





2012年全国地级及以上行政区人均GDP数据示意图

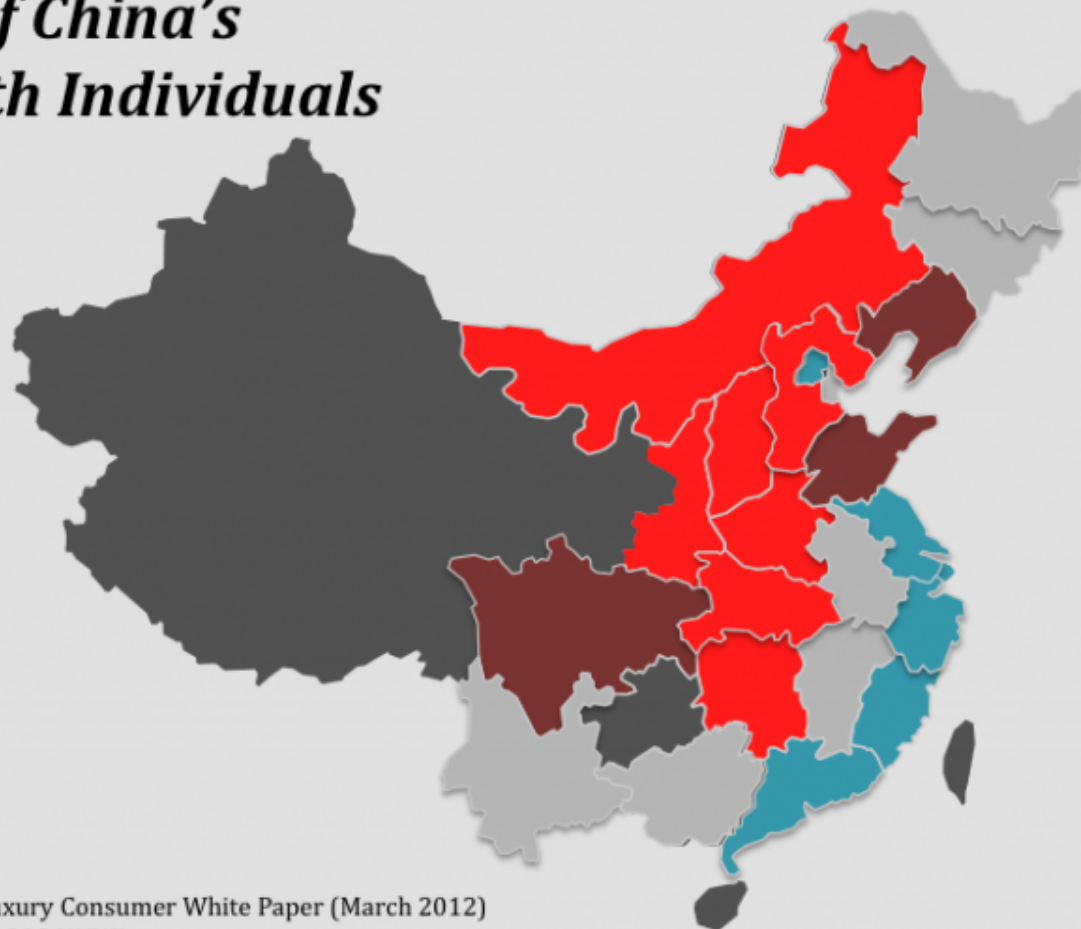
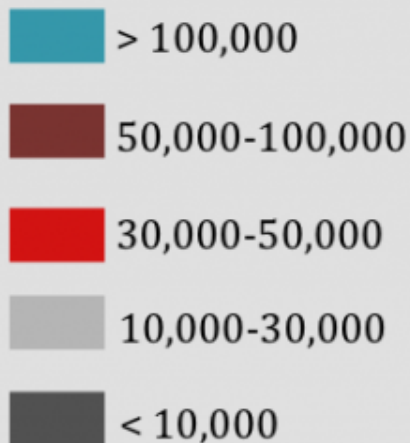
数据来源：2012年各地国民经济和社会发展统计公报。
(长春、滨州、凉山、绥化、黄石、贵港、北海、双鸭山、崇左、塔城、铜仁、雅安、武威、西藏除拉萨外所有地区、潜江、阿拉尔、万宁、东方、临高、昌江、乐东、陵水、屯昌、保亭、琼中等地未找到统计公报，以能找到的最精确数值代替)
以统计公报中直接公布的常住人口GDP为先，其次为统计公报中总量除以统计公报中常住人口，再次是总量除以六普人口。
美元汇率取2012年平均汇率6.3125:1





Distribution of China's High Net Worth Individuals

Number of HNWI's:



Data Source: Hurun – The Chinese Luxury Consumer White Paper (March 2012)

*Note: Chongqing is in the 30,000-50,000 HNWI category



Number of users

m

- United States
- European Union
- China
- Rest of world

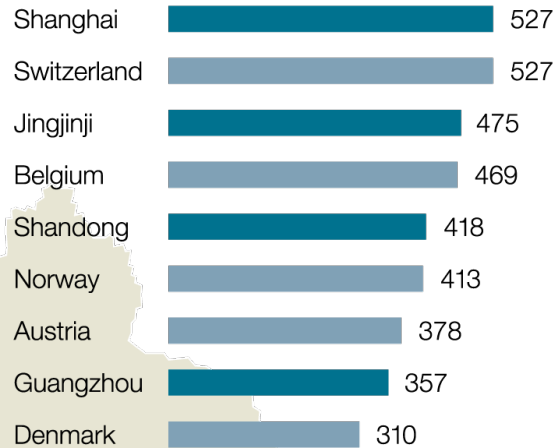
1995 2000 05 10 12

nil





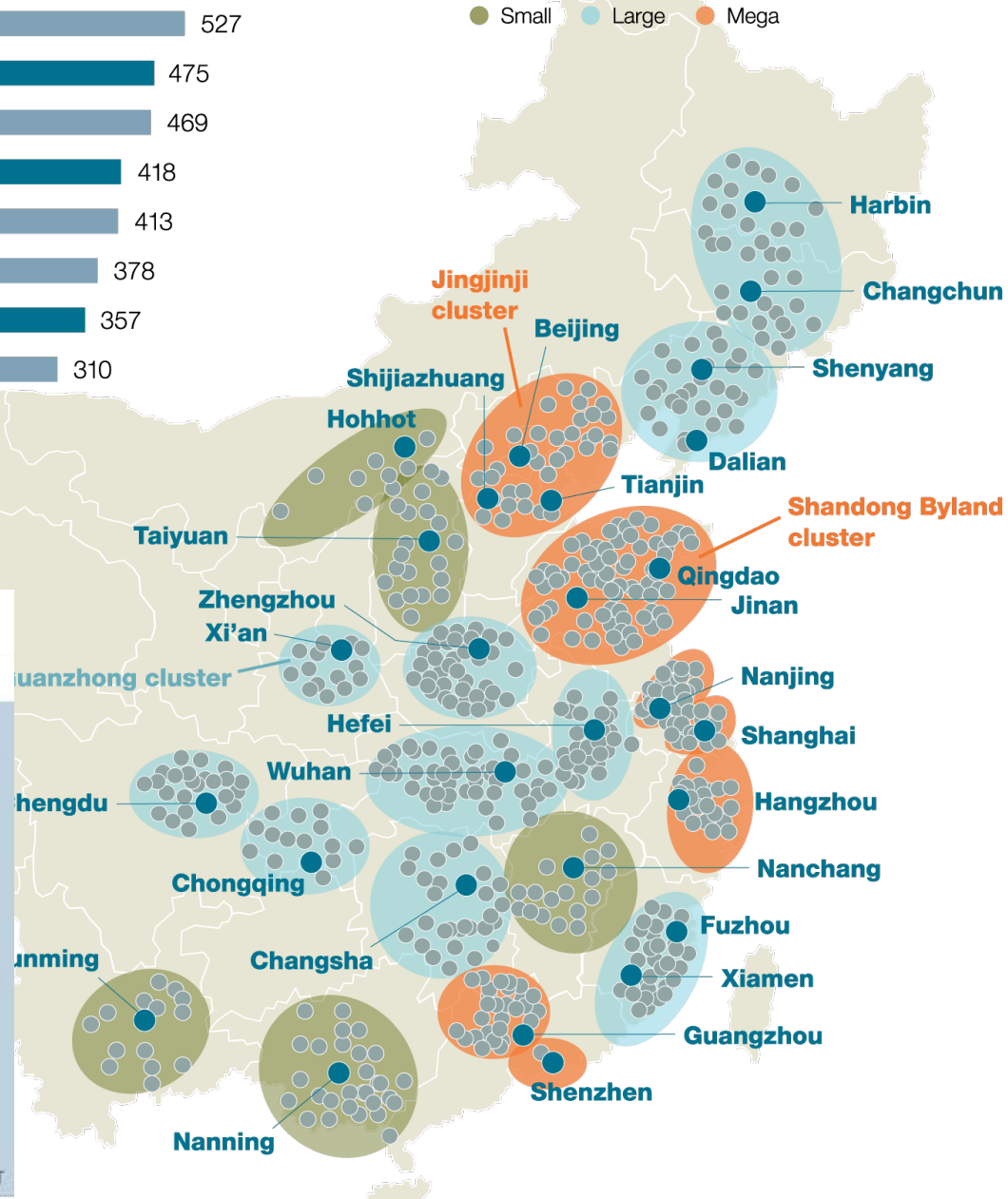
2010 GDP for urban clusters in China vs selected countries, \$ billion



Urban clusters in China and their hub cities

Clusters are grouped by size, based on average 2015 urban GDP estimates

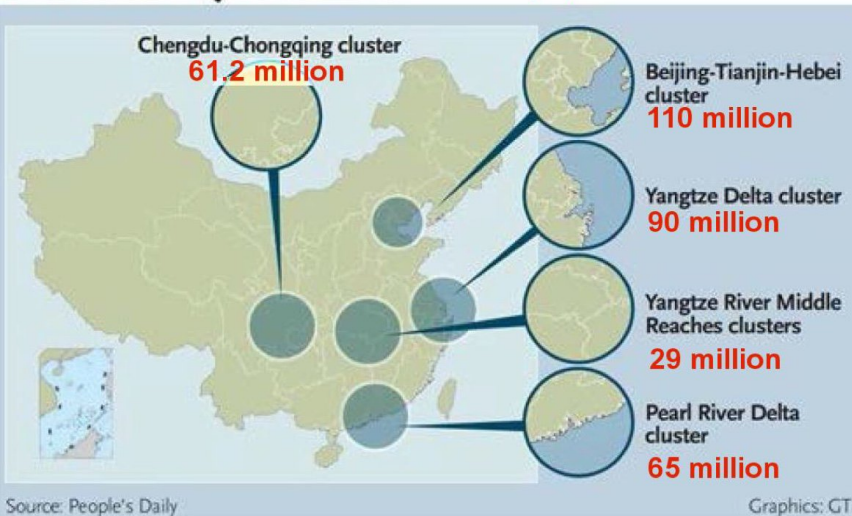
● Small ● Large ● Mega



China's 5 larger clusters

China's city clusters

population in 2010



Population: 77 million

Nanjing City

GDP: 199 billion USD

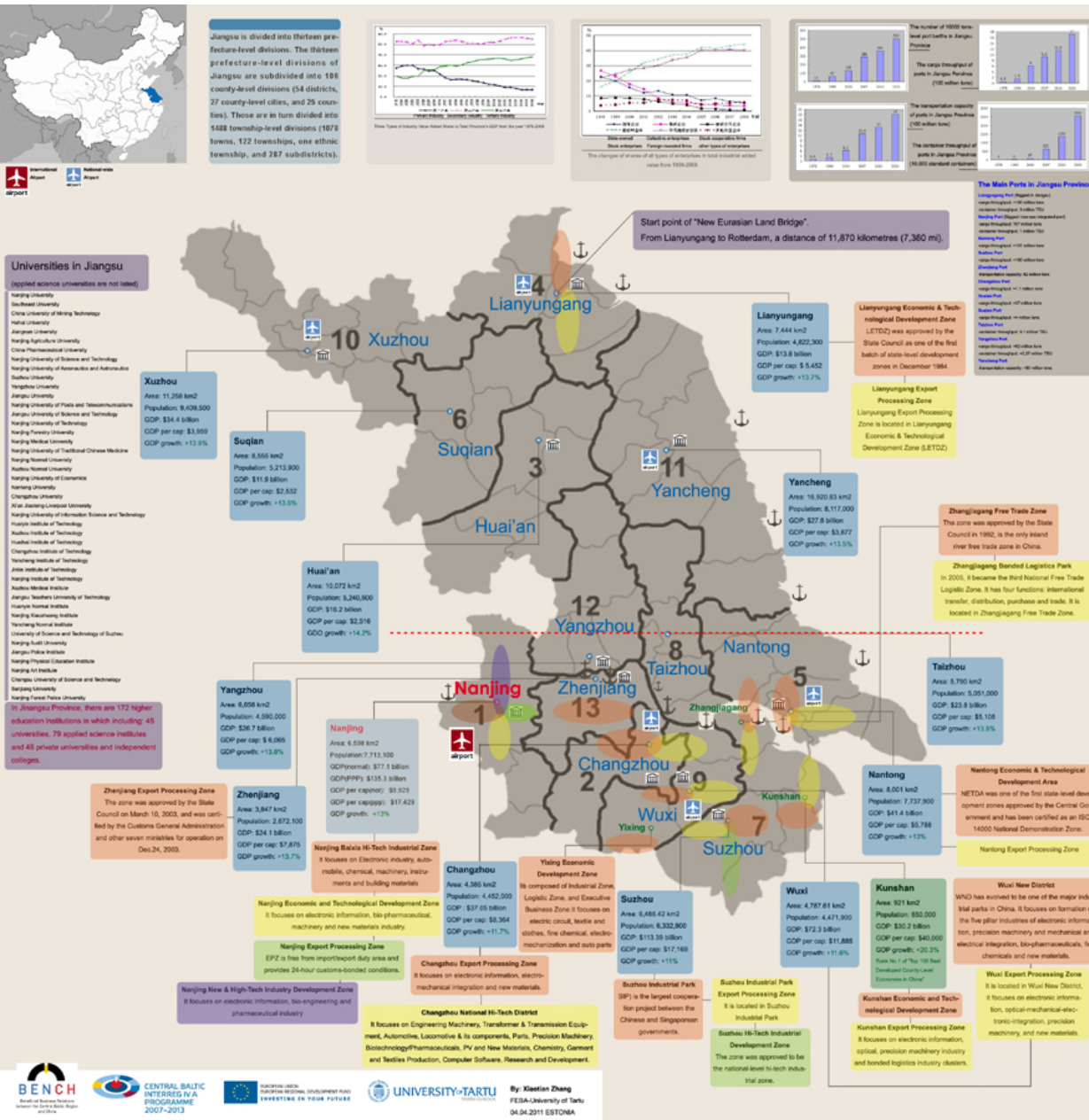
Population: 9 million

Kunshan Township City

GDP: 55 billion EURO

Population: 1.5 million

GDP per capital: 34,800 USD





Chinese Consumers



Environmental Stimuli: Urban Chinese Consumer

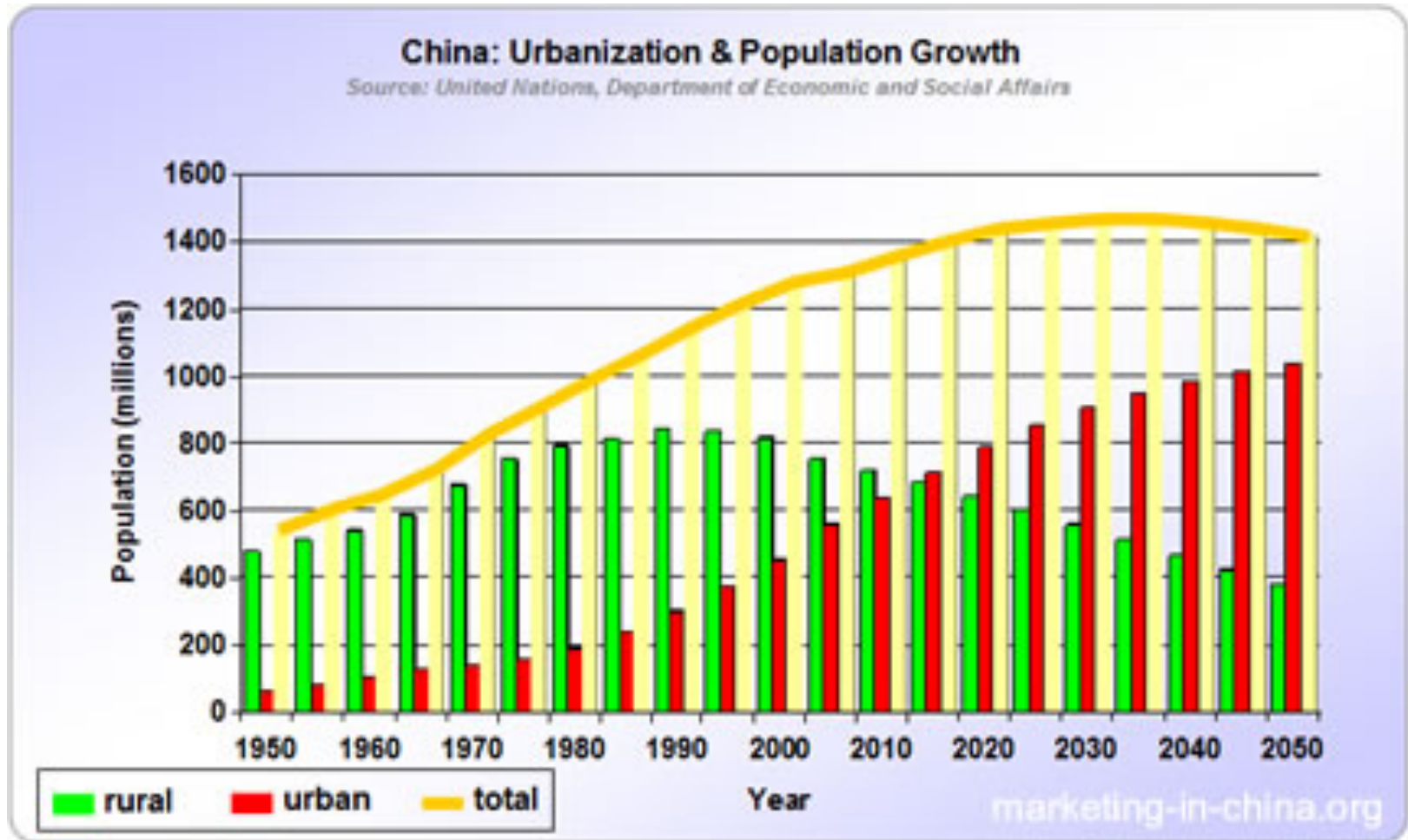
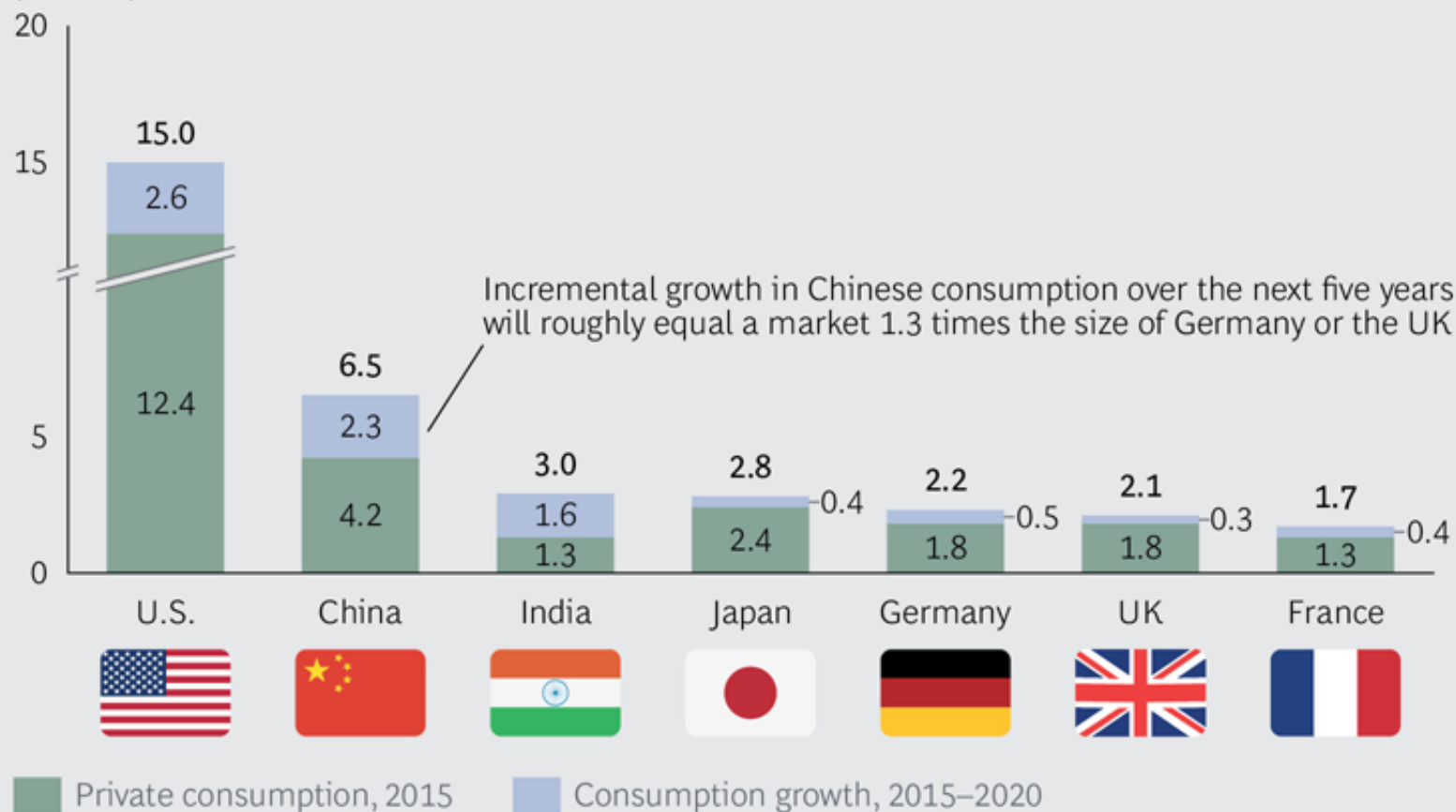




EXHIBIT 1 | By 2020, Chinese Consumption Will Have Grown by \$2.3 Trillion—Even if GDP Growth Slows to 5.5%

Nominal private consumption, 2020
(\$trillions)



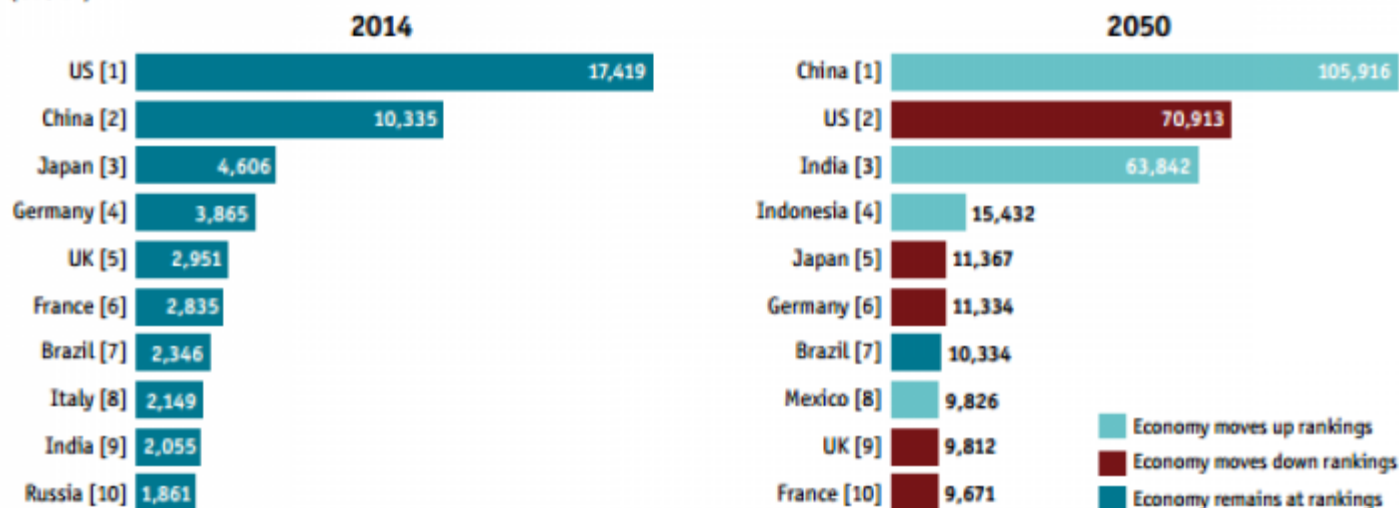
Sources: Economist Intelligence Unit; BCG analysis.

Note: Assumes annual GDP growth rate of 5.5%. Because of rounding, not all numbers add up to the totals shown.

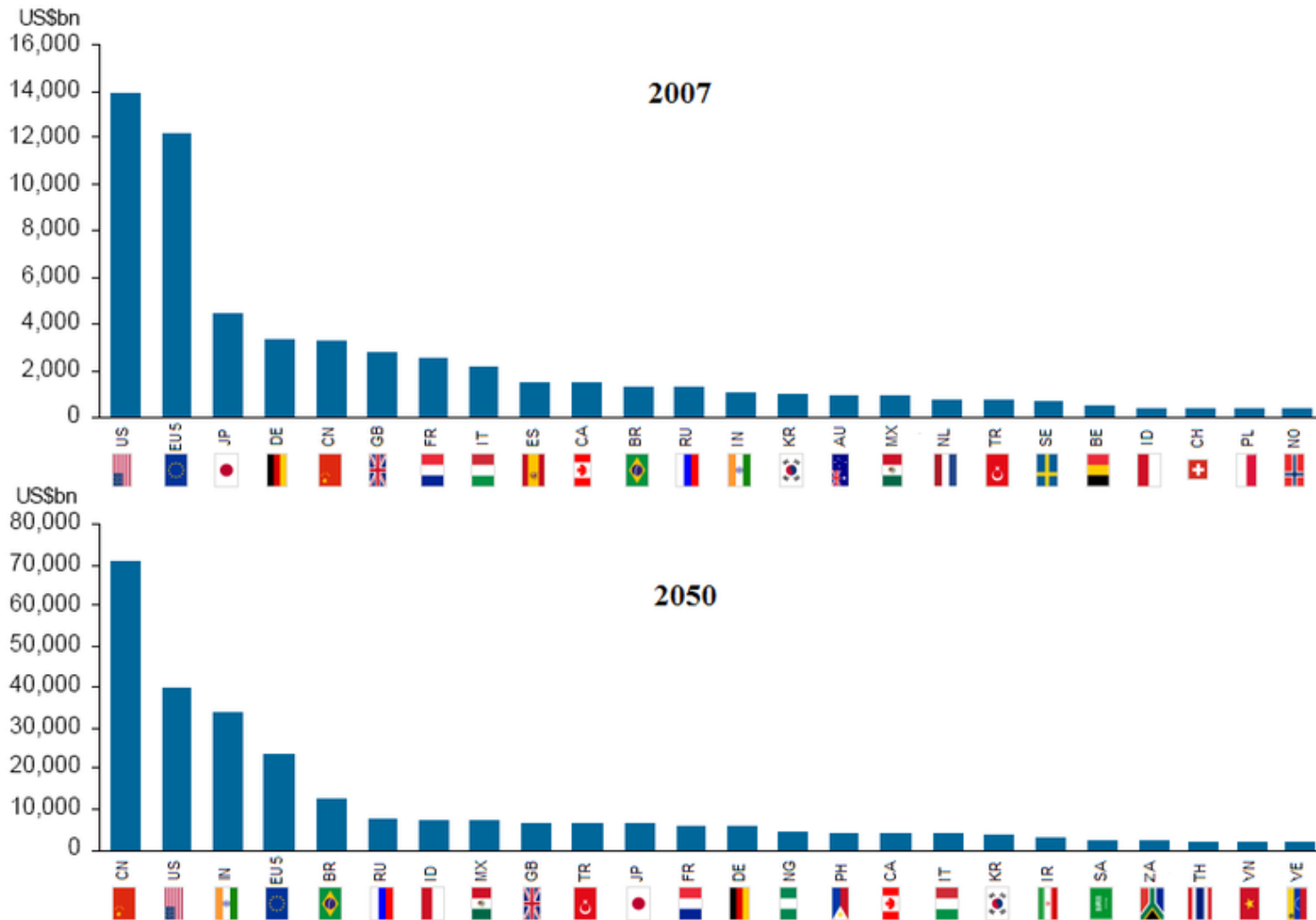


Top ten economies in 2050 at market exchange rates

Nominal GDP
(US\$ bn)



Source: The Economist Intelligence Unit.

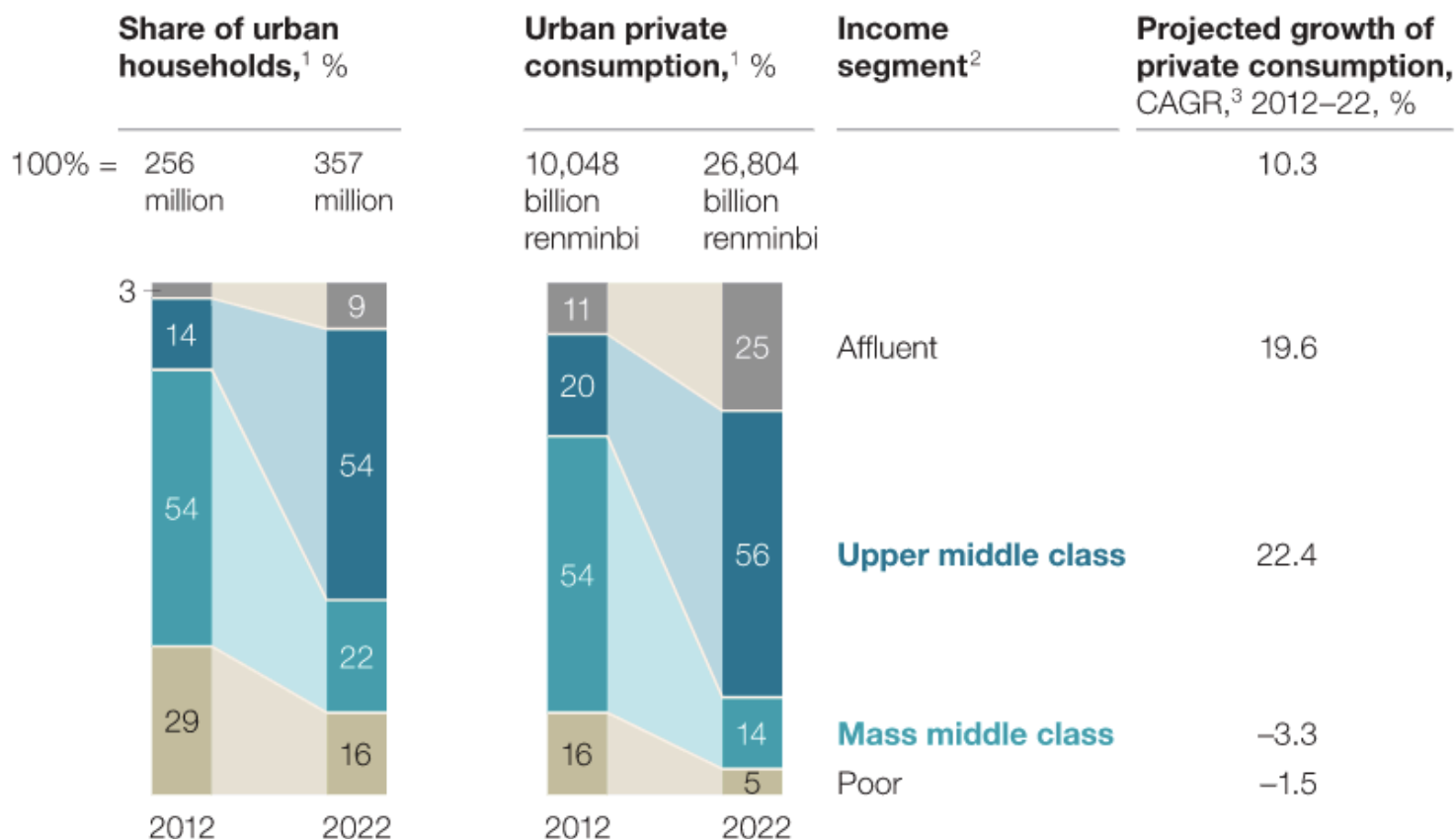


@World Resource Simulation Center (WRSC)

Capital income 2007 vs. 2050



The magnitude of China's middle-class growth is transforming the nation.



¹Figures may not sum to 100%, because of rounding; data for 2022 are projected.

²Defined by annual disposable income per urban household, in 2010 real terms; affluent, >229,000 renminbi (equivalent to >\$34,000); upper middle class, 106,000 to 229,000 renminbi (equivalent to \$16,000 to \$34,000); mass middle class, 60,000 to 106,000 renminbi (equivalent to \$9,000 to \$16,000); poor, <60,000 renminbi (equivalent to <\$9,000).

³Compound annual growth rate.

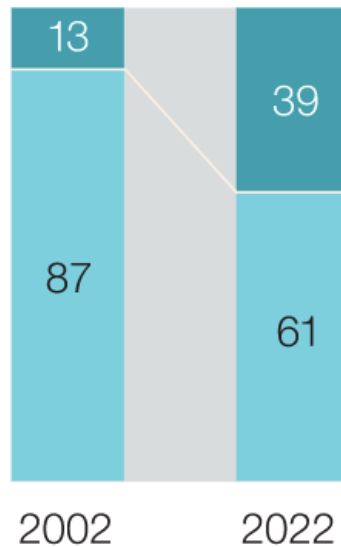


The geographic center of middle-class growth is shifting.

Share of middle class,¹ by geography, %

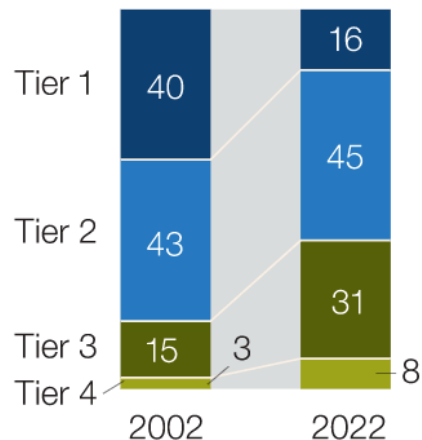
Inland China

Coastal China





Share of middle class,¹ by type of city,² %



¹Based on information for 266 cities; data for 2022 are projected. Cities in China are grouped into 4 tiers based on their economic development and political importance. For Tier-1 cities, 2010 nominal urban GDP is >932 billion renminbi; for Tier-2 cities, 120 billion–932 billion renminbi; for Tier-3 cities, 22 billion–120 billion renminbi; for Tier-4 cities, <22 billion renminbi.

²Figures may not sum to 100%, because of rounding.





By 2025, 7.5 million wealthy Chinese households are expected to spend 1 trillion renminbi in luxury goods.

Global personal luxury-goods market evolution, billion RMB



Growth per annum 2016–25, %

Other worldwide consumers

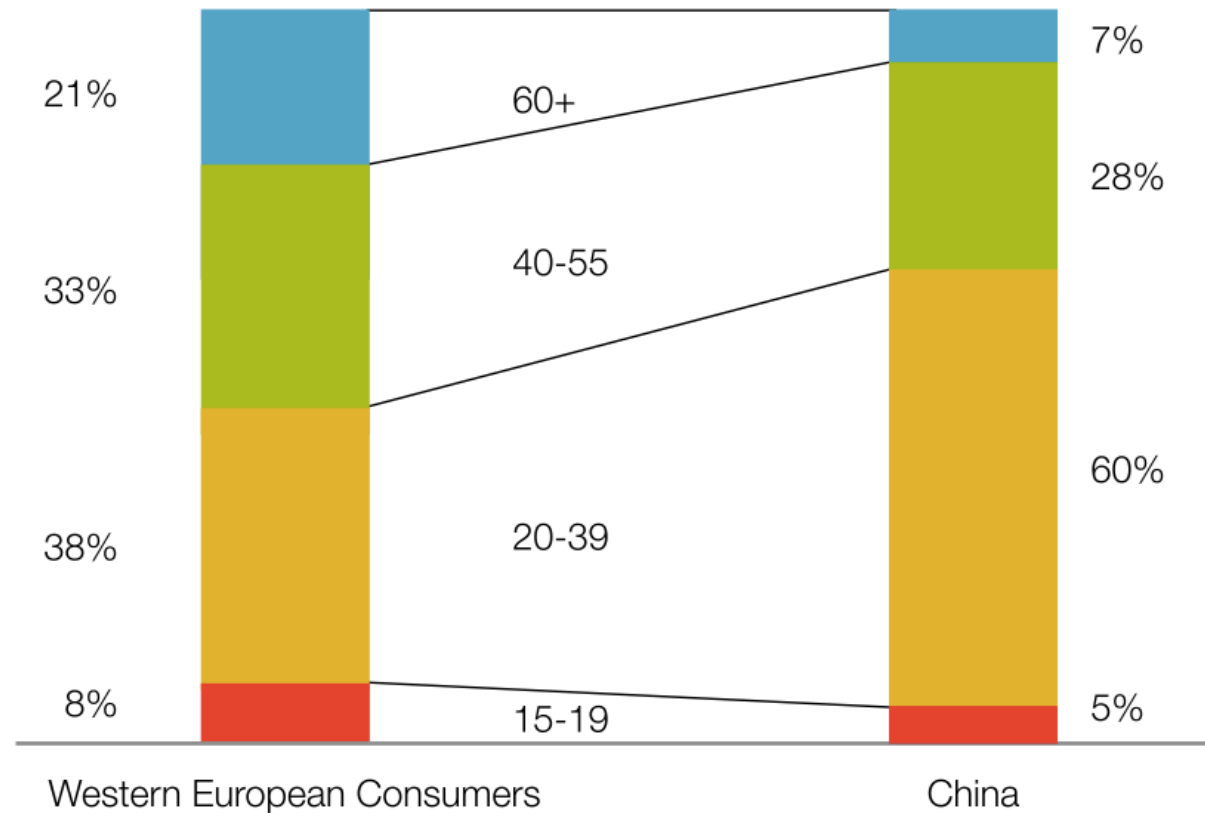
3

Chinese consumers

9



Exhibit 7: Age distribution of Chinese luxury consumers, 2011

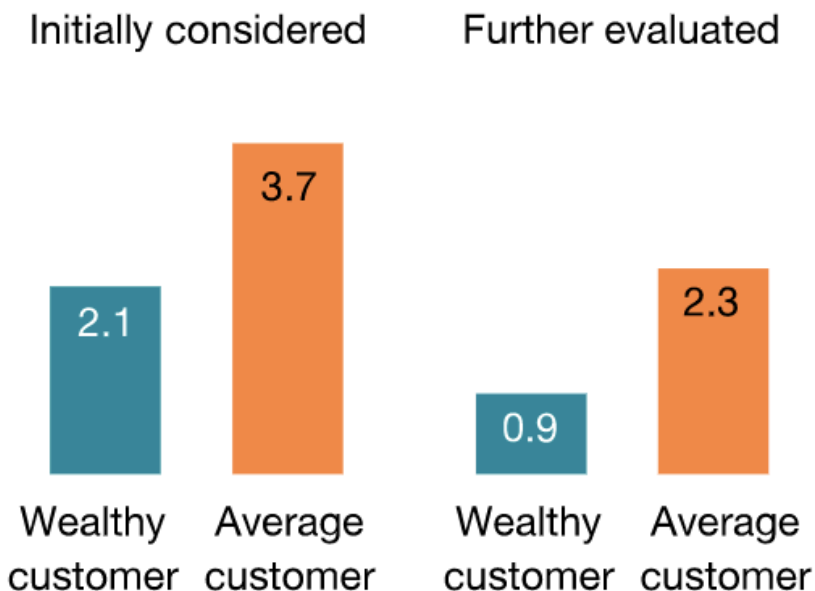


Source: Roland Berger - Chinese Consumer Report - Luxury

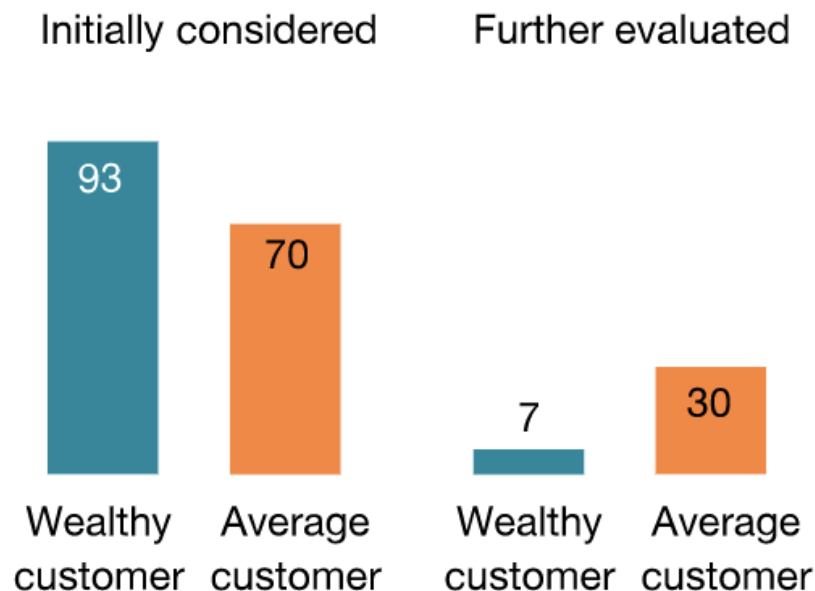


Wealthy Chinese customers are more likely to purchase their initially considered item when compared to **average customers**.

**Brands considered by customer type,
number**



**Brands purchased by customer type,
%**

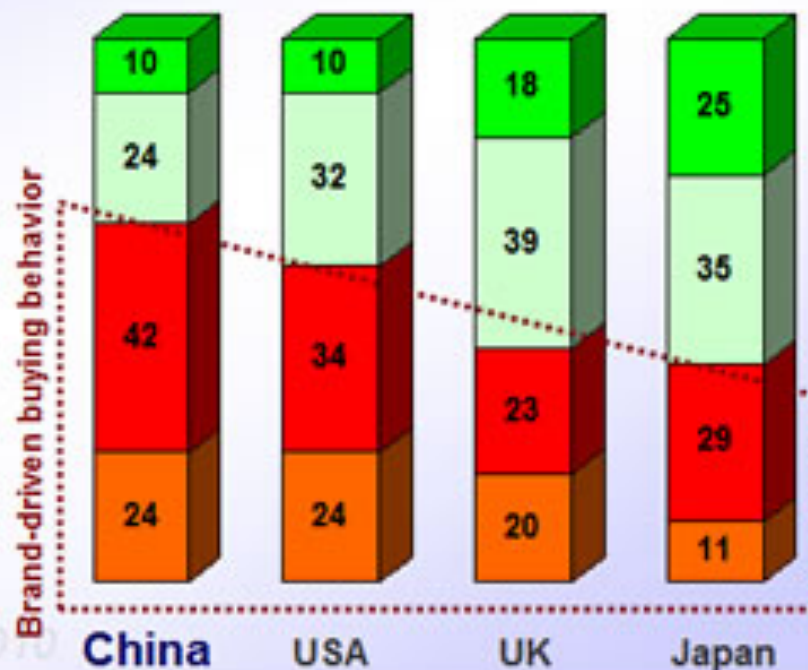




Chinese Buying Behavior: Brand Driven or Price Driven

Source: McKinsey - 2008 Chinese consumer survey

- Only buys best deal
- Consider few brands but is open to others if good deal
- Considers few brands and buys one of them in store
- Only buys preferred brand





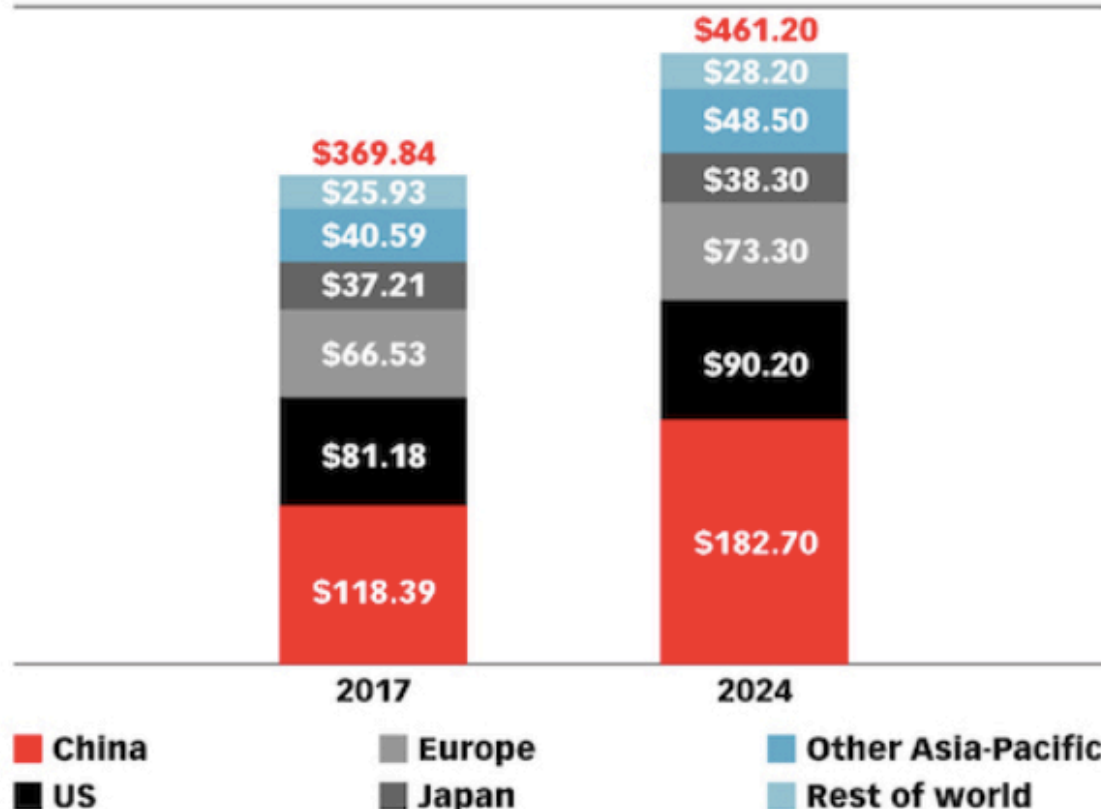
Shopping channels used by Chinese consumers when overseas, %





Luxury Goods Sales Worldwide, by Nationality, 2017 & 2024

billions



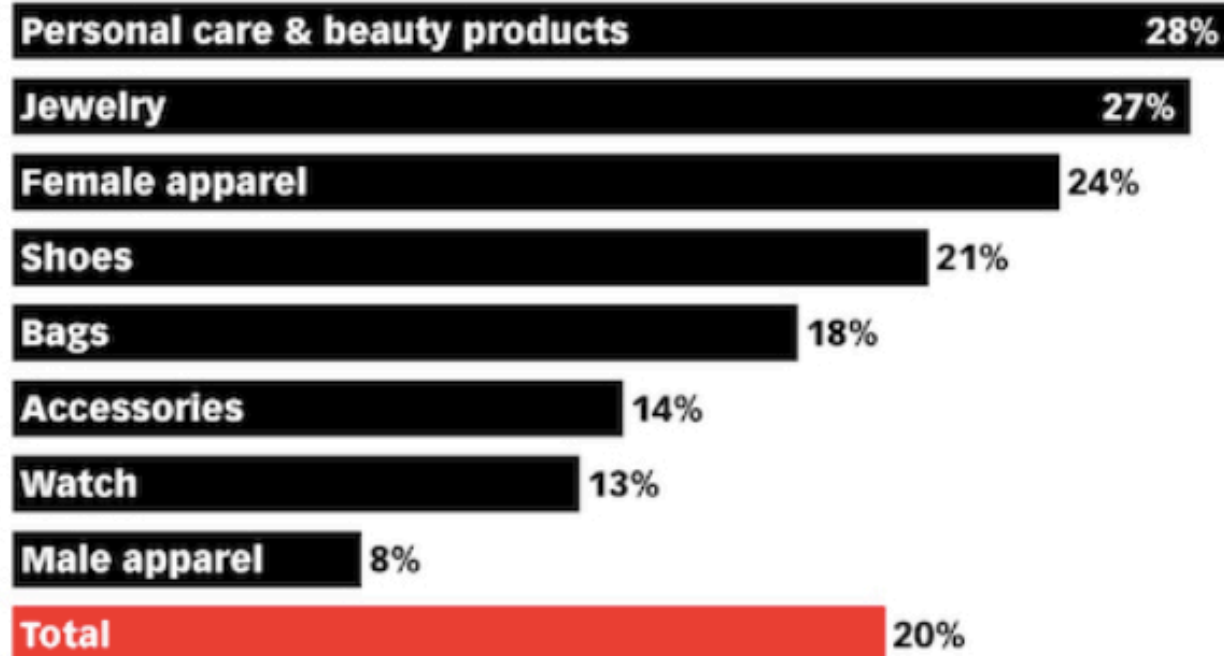
Note: converted at the exchange rate of US\$1=€0.89; includes personal goods only; excludes services, cars and yachts; read as luxury goods buyers from China account for \$118.39 billion in luxury goods sales and 32% of total luxury goods sales worldwide

Source: Boston Consulting Group (BCG) and Altagamma, "2018 True-Luxury Global Consumer Insight: 5th Edition"; eMarketer calculations, Feb 20, 2018



Luxury Goods Sales Growth in China, by Product Category, 2017

% change vs. prior year

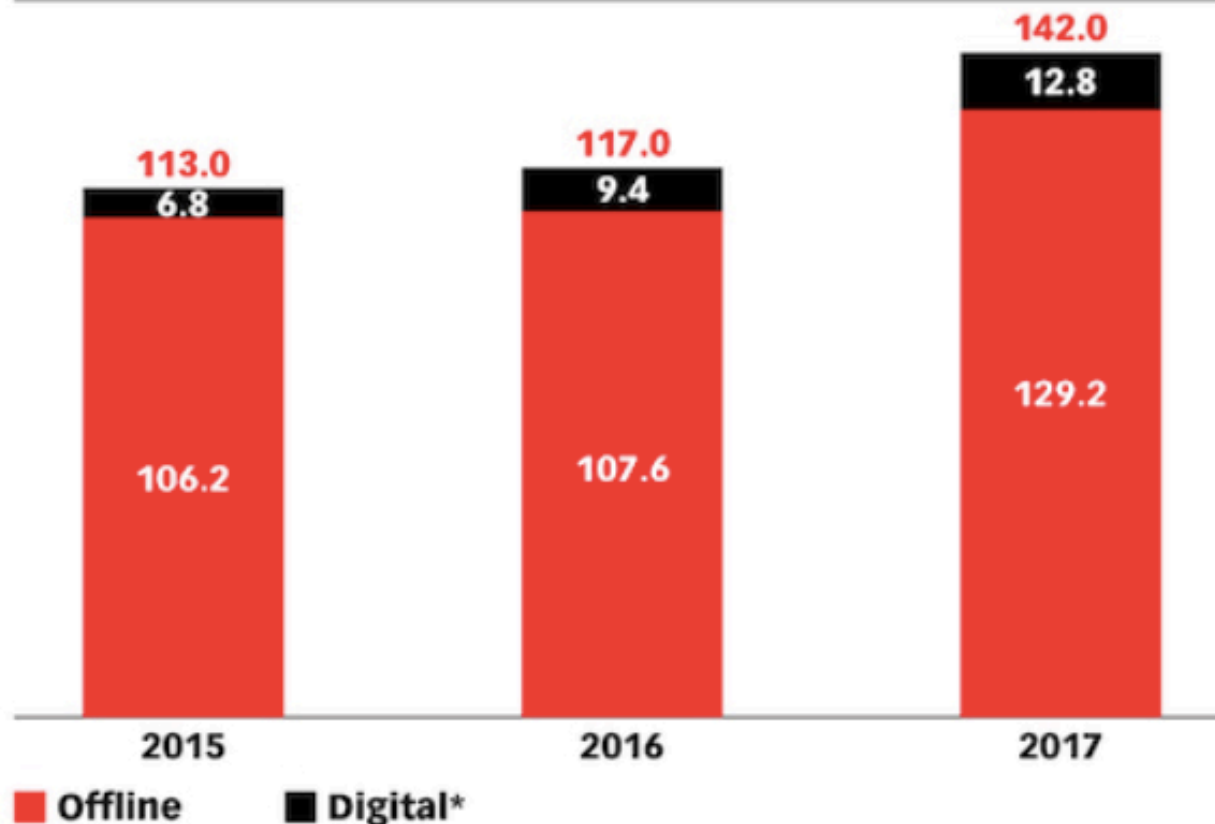


Note: luxury goods sales in 2017=142.0 billion Chinese yuan renminbi
Source: Bain & Co., "2017 China Luxury Goods Market Research Report," Jan 17, 2018



Luxury Goods Sales in China, Digital* vs. Offline, 2015-2017

billions of Chinese yuan renminbi



*Note: *includes official distribution channels only*

*Source: Bain & Co., "2017 China Luxury Goods Market Research Report";
eMarketer calculations, Jan 17, 2018*

Digital Share of Luxury Goods Ad Spending in Select Countries/Regions, 2017-2019

% of luxury goods total media ad spending

Entering Chinese Market

	2017	2018	2019
Australia	8.6%	8.6%	8.6%
Brazil	7.0%	7.0%	7.0%
China	53.3%	61.2%	68.0%
Colombia	26.5%	31.9%	38.6%
France	20.5%	22.7%	25.0%
Germany	37.4%	39.9%	42.7%
Hong Kong	31.1%	34.8%	38.3%
Italy	15.4%	16.8%	17.9%
Malaysia	18.2%	23.4%	27.1%
Mexico	7.6%	1.4%	1.5%
Middle East & North Africa	17.1%	17.1%	17.1%
Netherlands	46.0%	48.2%	51.6%
Peru	1.1%	1.1%	1.1%
Russia	20.9%	22.3%	24.3%
Singapore	14.1%	16.1%	18.8%
South Korea	13.0%	14.8%	16.2%
Spain	8.1%	8.3%	8.5%
Switzerland	8.1%	9.5%	10.1%
Taiwan	31.0%	32.8%	35.4%
UK	36.0%	38.6%	39.9%
US	28.6%	29.8%	30.9%

Source: ZenithOptimedia, "Luxury Advertising Expenditure Forecasts 2018," May 14, 2018



Luxury Goods Ad Spending in China, by Media, 2014-2019

millions

	2014	2015	2016	2017	2018	2019
Digital	\$117	\$153	\$371	\$490	\$671	\$896
Paid search	\$140	\$174	\$223	\$271	\$311	\$350
Out-of-home	\$417	\$458	\$400	\$326	\$294	\$278
TV	\$420	\$374	\$272	\$305	\$277	\$230
Display	\$209	\$254	\$276	\$268	\$273	\$273
Magazines	\$463	\$380	\$291	\$211	\$157	\$124
Cinema	\$23	\$34	\$82	\$80	\$86	\$94
Video	\$70	\$86	\$114	\$72	\$77	\$81
Radio	\$34	\$37	\$28	\$25	\$23	\$21
Newspapers	\$127	\$67	\$30	\$17	\$9	\$5
Total	\$2,020	\$2,017	\$2,087	\$2,064	\$2,178	\$2,353

Note: numbers may not add up to total due to rounding

*Source: ZenithOptimedia, "Luxury Advertising Expenditure Forecasts 2018,"
May 14, 2018*



Digital Channels that Affect Opinions/Decisions on Luxury Purchases According to Luxury Consumers* in China vs. Worldwide**, 2017

% of respondents

	China	Worldwide**
Brand's website	26%	29%
Brand's official social media pages	27%	18%
Advertising or articles in digital magazines	12%	16%
Influencers and fashion bloggers	20%	13%
Digital communication from the brand	11%	13%
Online blogs	10%	12%
Brand's mobile app	12%	11%
Instant chat services	12%	9%

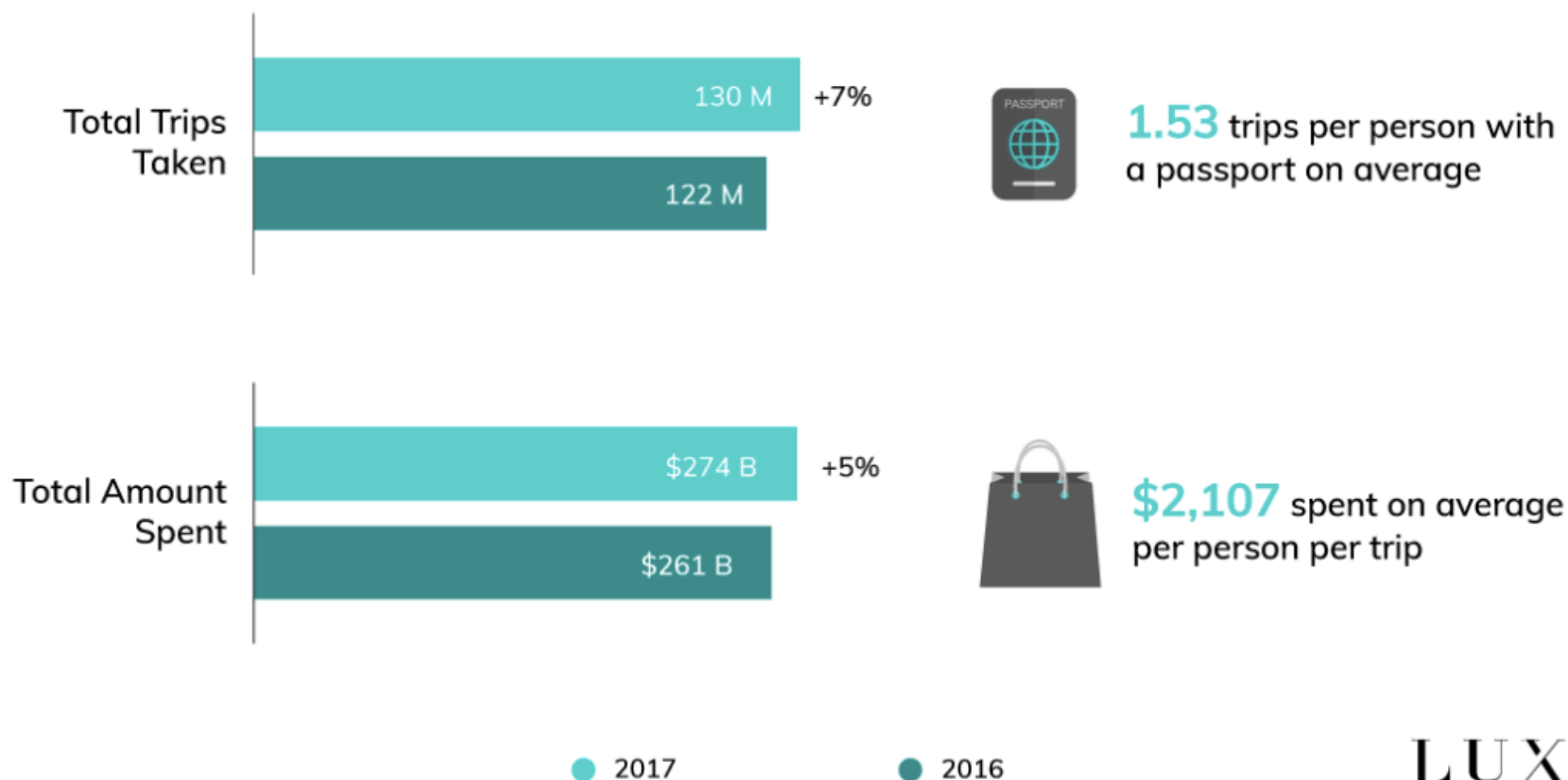
*Note: includes personal and experiential luxury, excludes cars and yachts;
*spent an average of €37K on luxury purchases in the past year; **includes Brazil, China, France, Germany, Italy, Japan, Russia, South Korea, the UK and the US*

Source: Boston Consulting Group (BCG) and Altagamma, "2018 True-Luxury Global Consumer Insight: 5th Edition," Feb 20, 2018



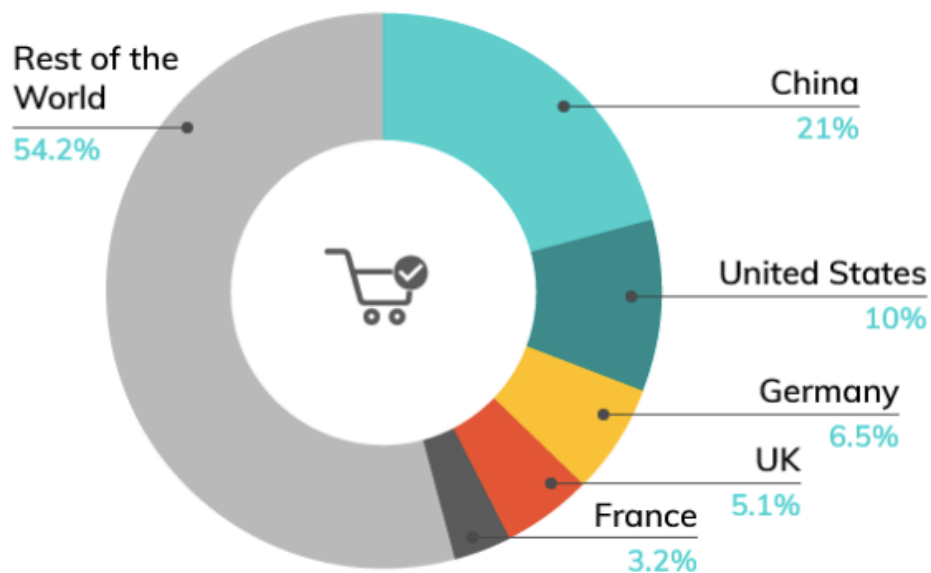
Affluent Chinese tourists are the world's top luxury consumers

2017 Chinese Outbound Tourism Trends





Affluent tourists from Mainland China continue to consistently spend more while travelling abroad than tourists from any other country in the world

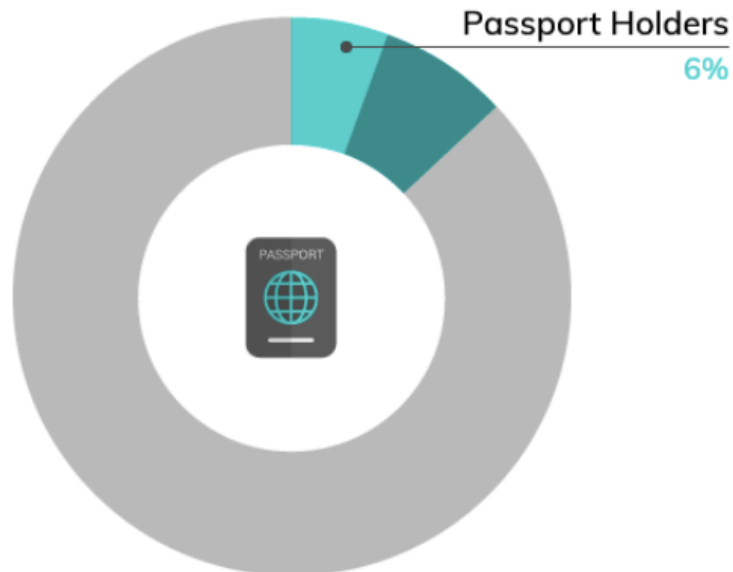


Chinese tourists spent on average **twice as much as** tourists from the United States when travelling overseas.

source: United Nations World Tourism Organization (2017)



Only 6% of Chinese citizens own a passport today.
The number is expected to increase to 14% in the coming years.



Among China's population of 1.4 billion people, only 6% own a passport today.
An additional 116 million Chinese citizens are expected to get a passport in the coming years.



There are two critical seasonal events in the Chinese tourism calendar



The rise of the Chinese Free Independent Travellers

40%

52 million Group Travellers



60%

78 million Independent Travellers

44%

57 million Male Travellers



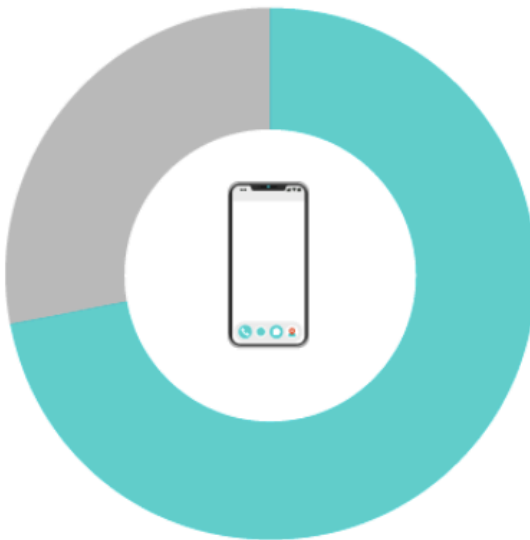
56%

73 million Female Travellers

The growing share of female Chinese tourists



Chinese tourists are highly connected and influenced by what they see online



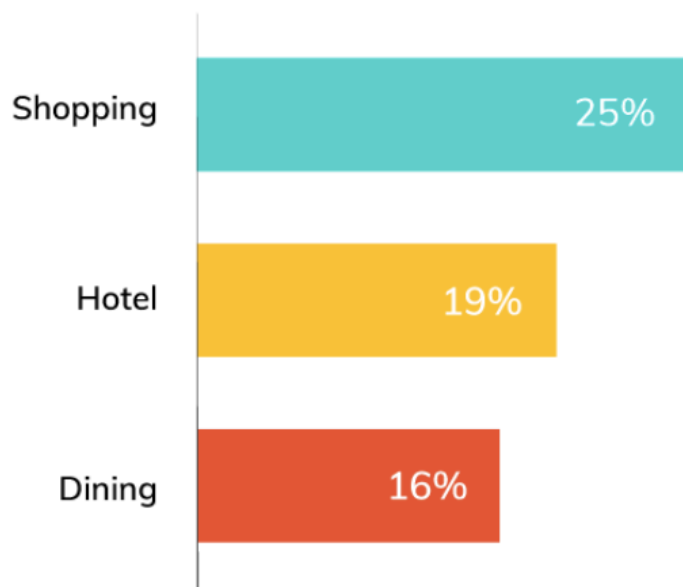
72% of Chinese travellers are influenced in one way or another by what they saw online when choosing where to go.

source: Coresight Research

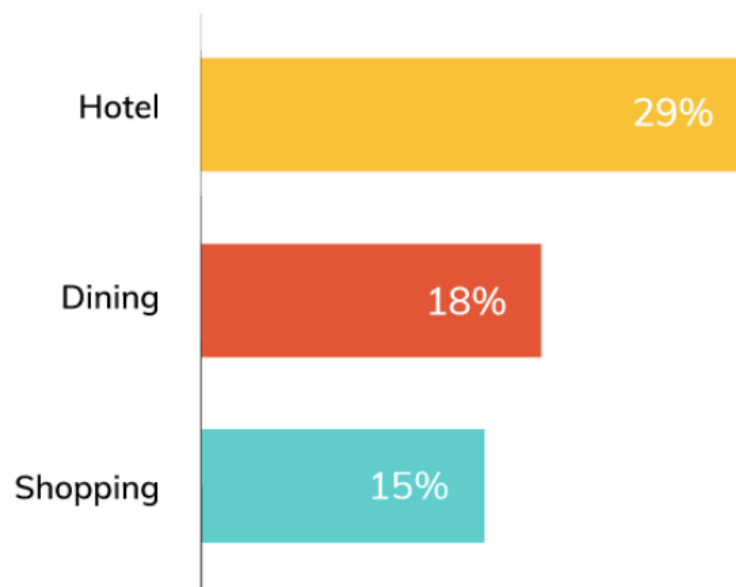


High-end shopping remains a priority for Chinese tourists abroad

Overseas travel expenses
by Chinese tourists



Overseas travel expenses
by non-Chinese tourists



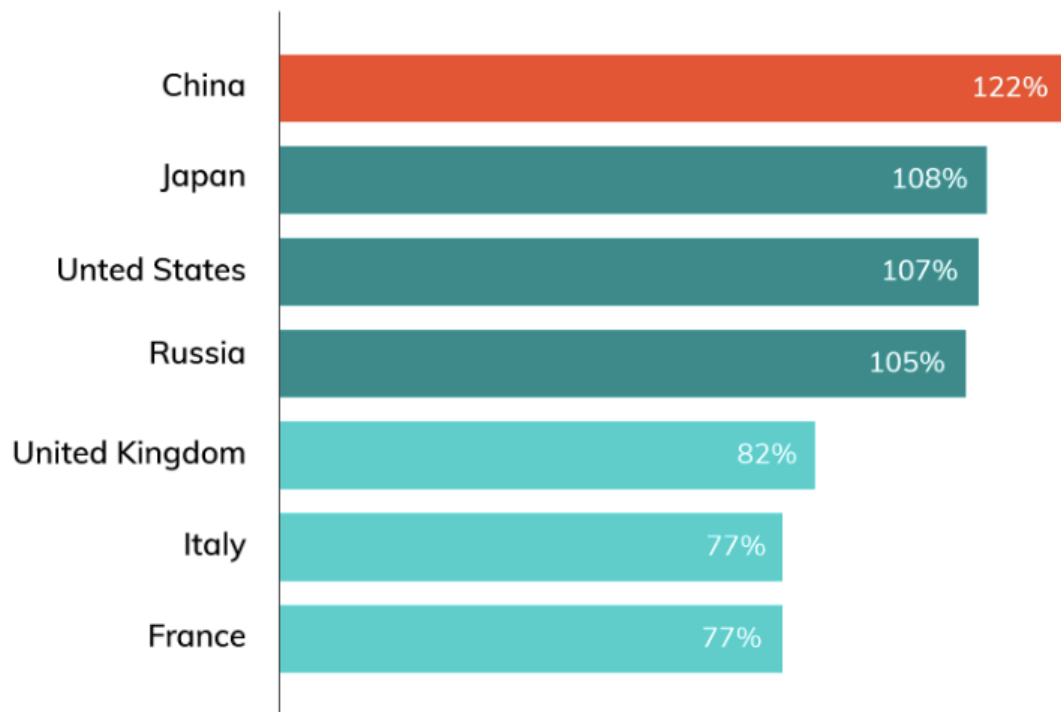
Other major expenses include local transportation, tourist attractions, recreation, and communications.

source: Nielsen



Buying luxury brands abroad is often cheaper than in Mainland China

Like-for-like products, USD equivalent prices

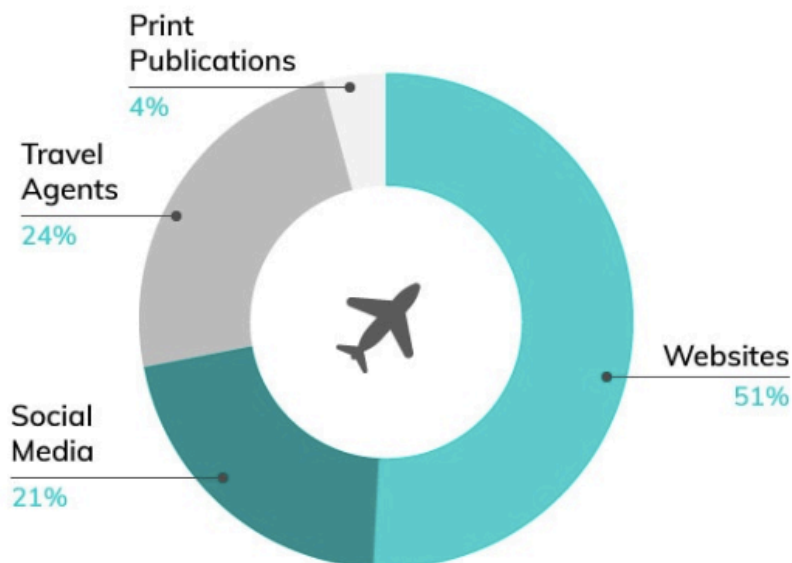


Median USD equivalent price
in each country relative to
the global average.

source: Deloitte "Global Powers of Luxury Goods", 2017.



72% of Chinese tourists plan their trips with online resources



Chinese tourists will use primarily **travel websites**, **travel blogs**, **Weibo** and **WeChat** to plan their trips.

source: Coresight Research, China Luxury Advisors, Luxe Digital (2018)

LUXE
DIGITAL



Most Chinese tourists say that they would spend more if WeChat Pay or Alipay was offered by a merchant

If Alipay is accepted by a merchant overseas:

94% would consider choosing Alipay as one of the payment methods

92% would consider shopping at this merchant

91% might buy more goods at this merchant



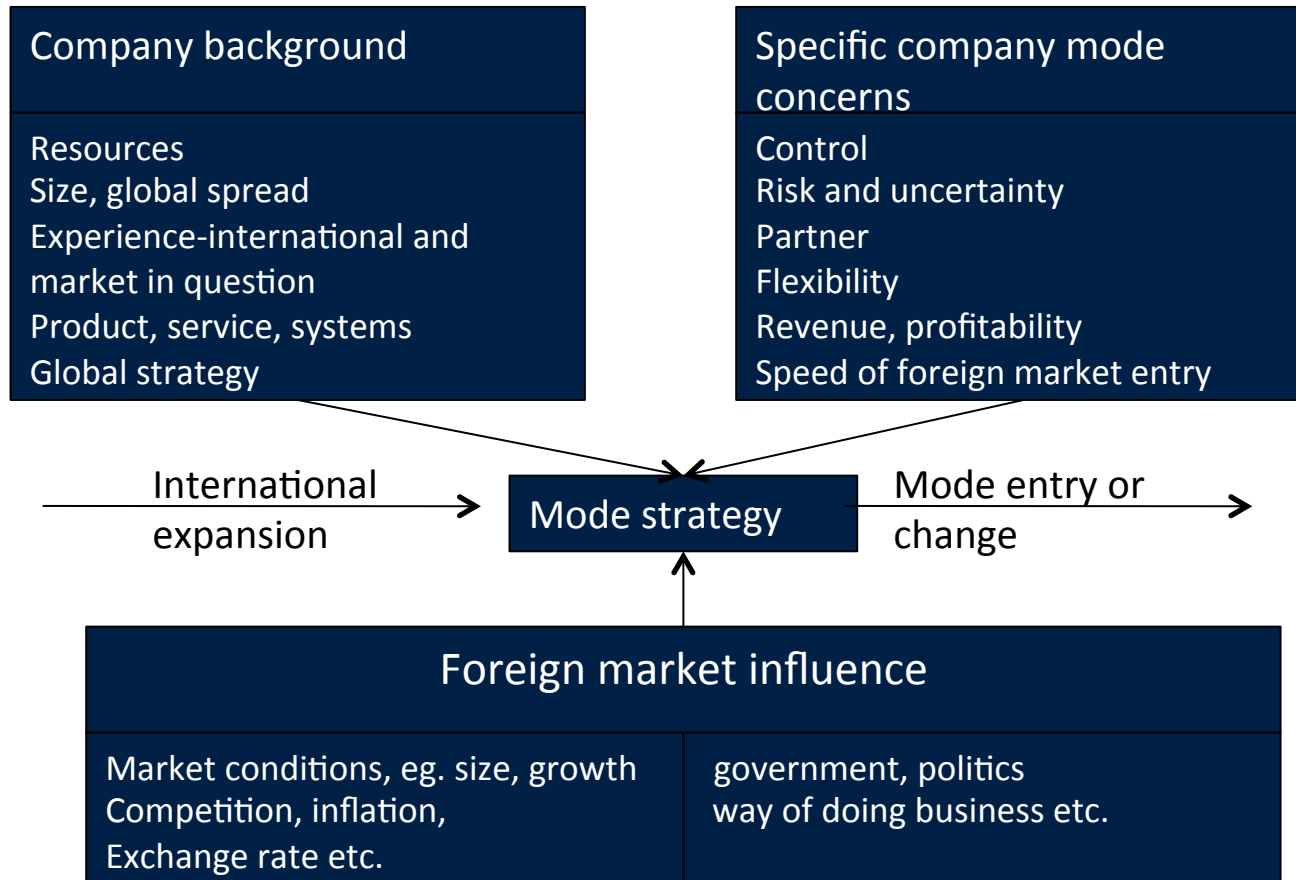
source: Nielsen (2018)

LUXE
DIGITAL



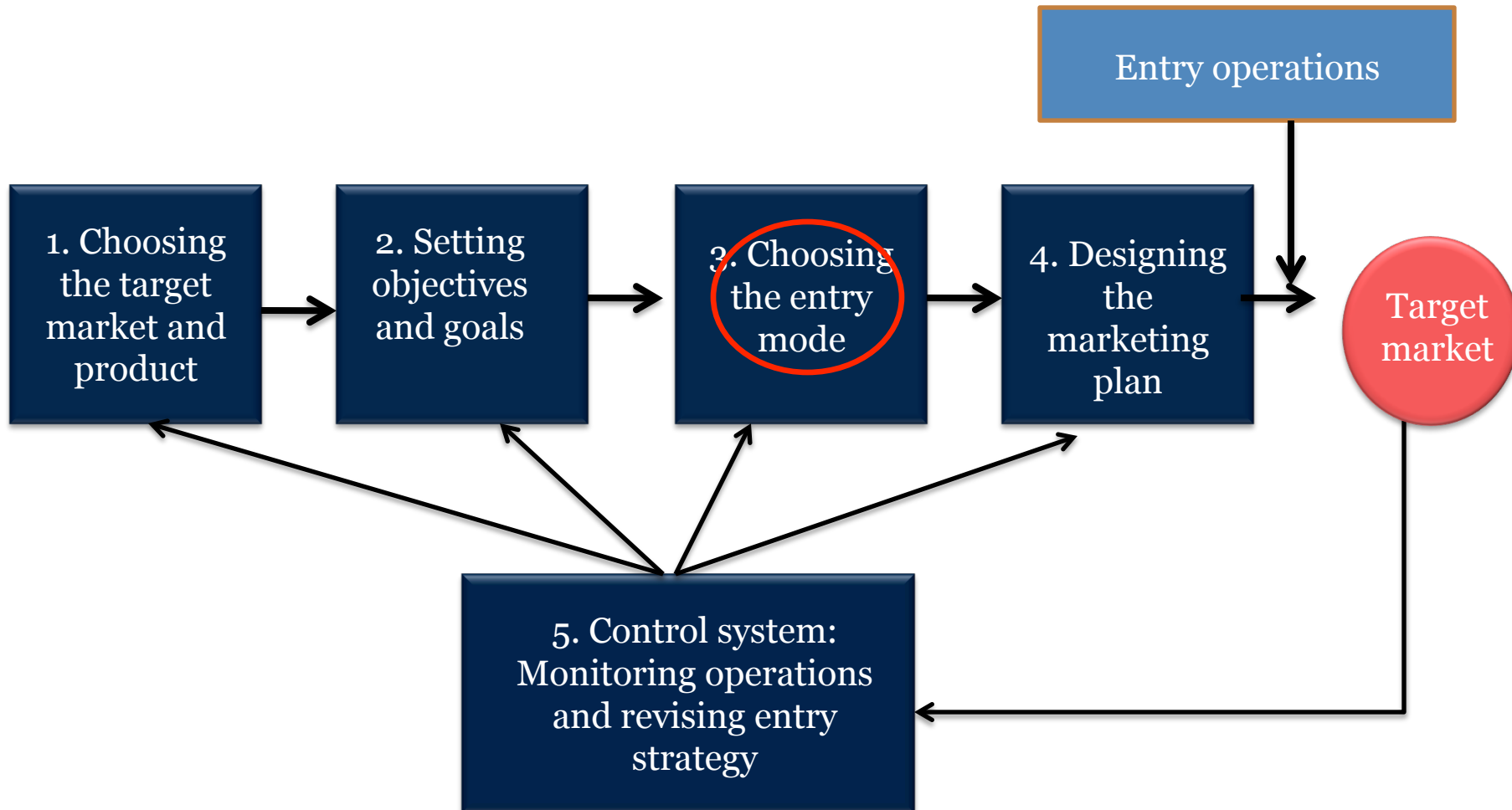
Chinese Market Entry







International market entry strategy: Elements





Major international business operation modes

Exporting modes

- Domestic
Indirect
exporting
- Foreign indirect
exporting
- Direct
exporting

Contractual modes

- Franchising
- Licensing
- Management
contracts
- Contract
manufacturing
- Subcontracting
- Project operations
- Turnkey project

Investment modes

- Minority share
investment
- 50%/50%
- Majority share
investment
- 100% owned



Direct Exporting

Advantages of direct exporting

- Greater potential profit;
- Greater degree of control over all aspects of the transaction;
- You know who your customers are;
- Your customers feel more secure in doing business directly with you;
- Faster and more direct feedback on your product and its performance in the marketplace;
- Better protection for your trademarks, patents and copyrights;
- You present yourself as fully committed and engaged in the export process;
- You develop a better understanding of the marketplace;
- As your business develops in the foreign market, you have greater flexibility to improve or redirect your marketing efforts.



Direct Exporting

Disadvantages of direct exporting

- You have to handle, or be actively involved in, all the logistics of the transaction;
- Requires more “people power” to cultivate a customer base;
- Demands more responsibility from every level of your organisation;
- You may not be able to respond to customer communications as quickly as a local agent can;
- If you have a technological product, you must be prepared to respond to technical questions, and to provide on-site start-up training.



Indirect Exporting

Advantages of an agent

- The principal (i.e., you) has greater control over the terms of sale;
- Freedom to choose customers with whom to deal;
- The agent will report on the competition;
- The agent will focus on your best selling products with the highest margin;
- The agent will advise you on new products to be launched;
- Greater control over methods of marketing;
- The manufacturer is able to retain risk of stock;
- The commission paid to an agent is typically lower than the margin of profit a distributor will make.



Indirect Exporting

Disadvantages of an agent

- If the agent's work is not reviewed on a regular basis, your sales may not increase;
- Controlling the agent's work needs a lot of communication;
- If you decide to end your cooperation with the agent, he may go to the competition;
- Sometimes a principal will be treated as trading in a territory if he has an agent there, which could have tax implications. Consideration should be given to local law and double taxation;
- Maintaining stock inventory can be costly;
- An agent may be selling similar products as yours.



Indirect Exporting

Advantages of using distributors

- The supplier (your company) can pass a greater degree of risk to the distributor;
- Greater incentive for the distributor to sell the product;
- Avoids the need for the supplier to have an established place of business in the territory (reduces costs);
- The supplier only needs to monitor the accounts of several distributors rather than for each customer.

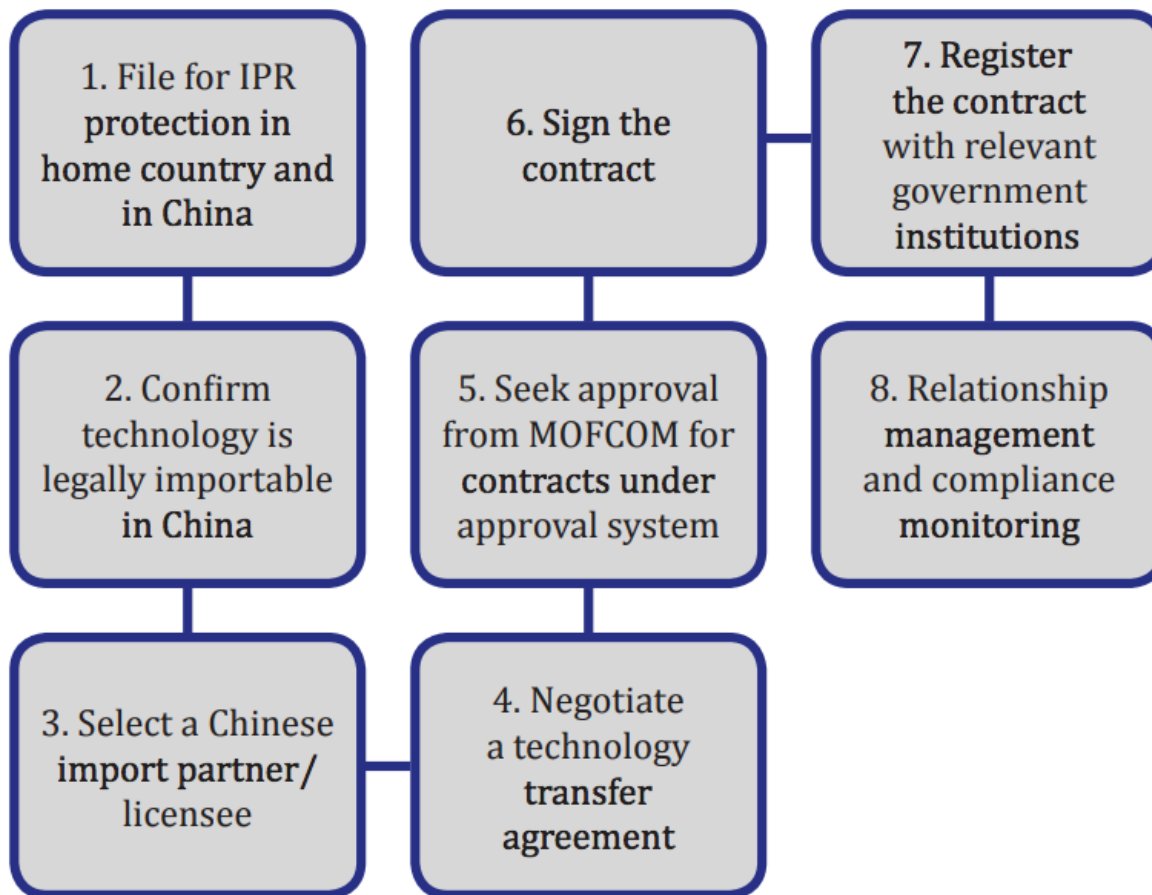
Disadvantages of using distributors

- Loss of control over activities of the distributor;
- An exclusive distributor focuses the supplier's entire credit risk on one entity rather than spreading it over a large number of customers.



Licensing

Steps for licensing technology



Note: Although most technologies can be imported into China, to be sure, you should consult the *Catalogue for Prohibited and Restricted Technology Imports* (the 'Technology Import Catalogue'), published by the Ministry of Science and Technology (MOST) and the *Catalogue for the Guidance of Foreign Investment Industries* (the 'Investment Catalogue'), jointly published by the Ministry of Commerce (MOFCOM) and the National Development and Reform Commission (NDRC).



Licensing & Franchising

Advantages of licensing and franchising

- Lower costs of market entry, e.g., no need to build a distribution network;
- Increased business opportunities - Franchisee provides local knowledge which might help in reaching new markets and finding new partners;
- Branding/reputational impact;
- Wider exposure/advertising for the licensing/franchising company's brand/technology;
- Uniformity of procedures in case of franchise, which reflects on consistency, enhanced productivity levels;
- Franchisee is usually self-motivated since he has invested much resources in the business;
- Risks are spread by multiplying the number of locations through other people's investment;
- A larger and more powerful licensee in a new market can provide instant market access and deter competitors and imitators;
- A licence can be used to enable products to be supplied locally where there is no opportunity to manufacture in the locality.



Licensing & Franchising

Disadvantages of licensing and franchising

- Potential IPR infringement risk;
- No contact with end customers;
- Initial investment in terms of training staff, technical assistance;
- Lower control over the business model. It is important to ensure that there are proper control provisions in the licence;
- Risk that trade name will be spoiled by dubious partners;
- Franchisor has to have solid business model and one year of operation of at least two outlets;
- By disclosing your business model you are opening doors for franchisees to “amend” the model and establish their own business;
- In the long term, royalty payments from a licence may not provide the maximum for a licensor. It could be that setting up locally can generate better profits in the long run.



Selling online

There are **four different methods** for a business to sell online and therefore directly to its consumer in China:

- Standalone website outside of China;
- Standalone website in China;
- Third-party platform outside of China; and
- Third-party platform inside China.

Advantages of a standalone website

For Chinese consumers

- Faster delivery speed.

For EU sellers

- Provides targeted offering to Chinese consumers.



Selling online

Disadvantages of a standalone website

For Chinese consumers

- Trusted less than third party platform.

For EU sellers

- Need to tailor website to Chinese consumer;
- Effort required to generate traffic;
- Site must be registered to a company established in China;
- IT maintenance costs;
- Need for an import agent.



Selling online

Advantages of a third party platform outside China

For Chinese consumers

- Access to goods not available in China.

For EU sellers

- Familiarity of platforms and their services;
- Low costs.

Disadvantages of a third party platform outside China

For Chinese consumers

- Language barrier;
- Use of Chinese credit cards problematic;
- Long delivery time;
- High shipping costs and risk of damage;
- Custom tariffs;
- No after service.

For EU sellers

- No targeted market access.



Selling online

Advantages of a third party platform inside China

For Chinese consumers

- More likely to trust;
- Easier online payments;
- Faster delivery;
- After service.

For EU sellers

- Low costs;
- Benefit from platform's existing traffic.

Disadvantages of a third party platform inside China

For EU sellers

- Marketing on an unknown platform in a foreign language;
- Company registration in China necessary;
- Certification requirements.



Investment modes

Type	Chinese partner	Advantages	IPR	Human resources	Investment risk	Government issues	Purpose
Rep office	No Chinese partner	Traditionally easy to establish	Marketing and R&D activities only, IPR kept by headquarter	Limited to four expatriates	Low	Increasingly strict enforcement to ensure compliance with regulations	Liaison with home office / relationship building and market research
Partnerships	One or more	Easy to establish No corporate tax	Optional	To be decided by parties	Low, no capital requirements. However, unlimited liability and subject to individual income tax	New regulations are encouraging	Option for smaller businesses looking for an easy set-up, willing to have a partner and take on unlimited liability
Wholly foreign-owned enterprise	No Chinese partner	Efficient in operations, management and future development; easier to terminate than JVs	More control over IPR and technology	Full control of human resources	High investment risk, no Chinese partner, FICEs (foreign-invested commercial enterprise) have higher capital requirements	In some cases, government incentives more difficult to obtain without Chinese partner	Manufacturing Services FICE: Commerce, retail, distribution



Investment modes

Type	Chinese partner	Advantages	IPR	Human resources	Investment risk	Government issues	Purpose
Equity joint venture	One or more	Foreign partners can gain market knowledge, contacts, preferential market treatment and manufacturing capability from their Chinese partner	Chinese partner will gain full access to the foreign IPR	Advised to retain key positions in board of directors and management (risk management, finance, HR) Use of local talent	Risk based on the equity shares of each partner (foreign and Chinese)	The foreign partner must contribute a minimum of 25% of registered capital (there are exceptions for some restricted industries)	Only option in some sectors according to the Investment Catalogue Establishment of a close partnership
Contractual joint venture	One or more	Depend on terms set in the contract	Based on the contract	Based on the contract	Contributions can be made in form of labour or property	No minimum contribution to be made by the foreign partner	Only option in some sectors according to the Investment Catalogue Establishment of a close partnership



E-commerce in China





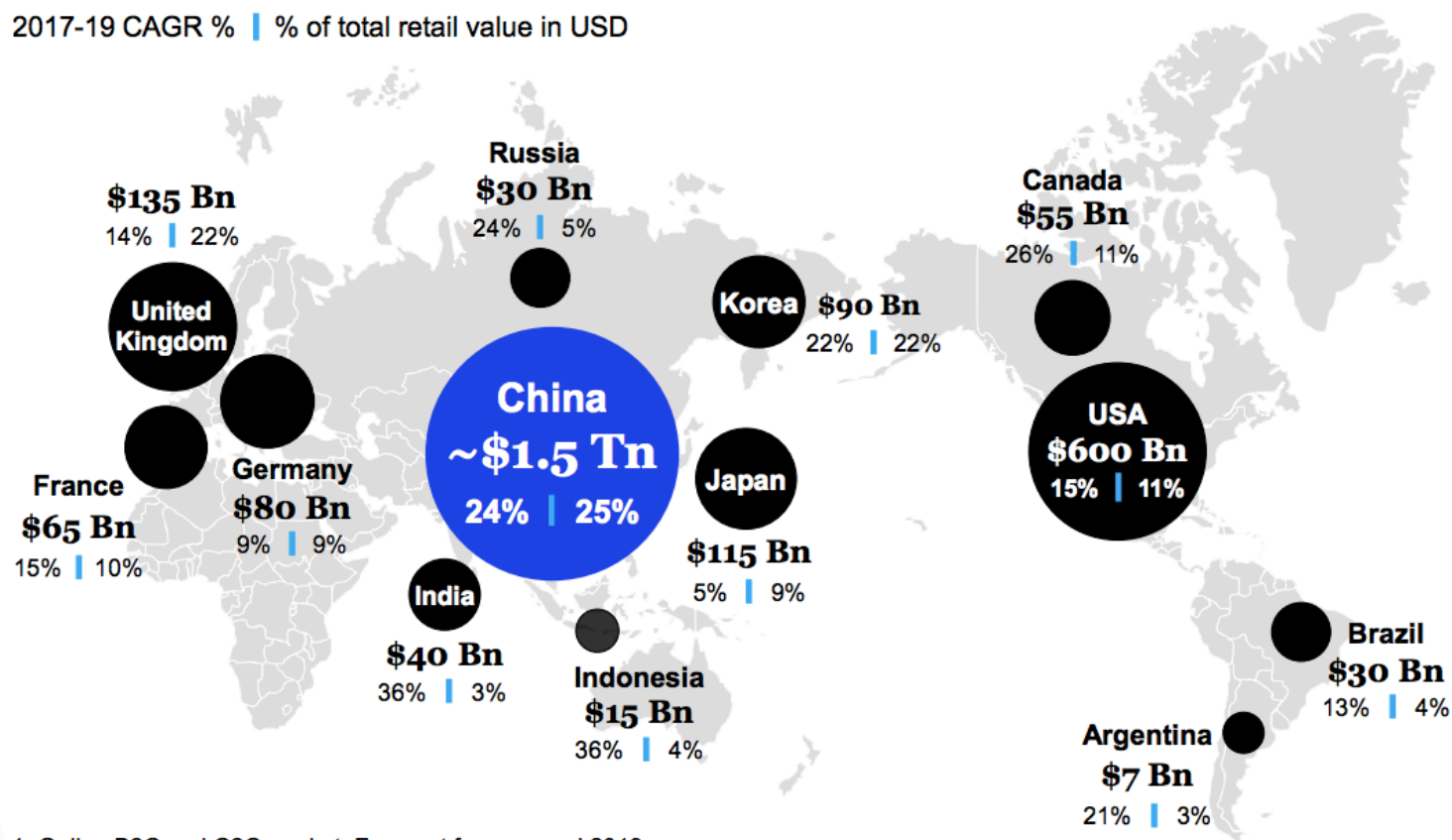
- Baidu (“search”) prides itself as China’s Google (Market cap: \$US88 billion)
- Alibaba (“commerce”), parent company of Taobao, is the world’s largest eCommerce operator (Market cap: \$US 588 billion)
- Tencent (“social”) is the company behind WeChat, China’s leading mobile-based social app (Market cap: \$US 511 billion)



Online retail transaction value

2019 forecast¹

2017-19 CAGR % | % of total retail value in USD



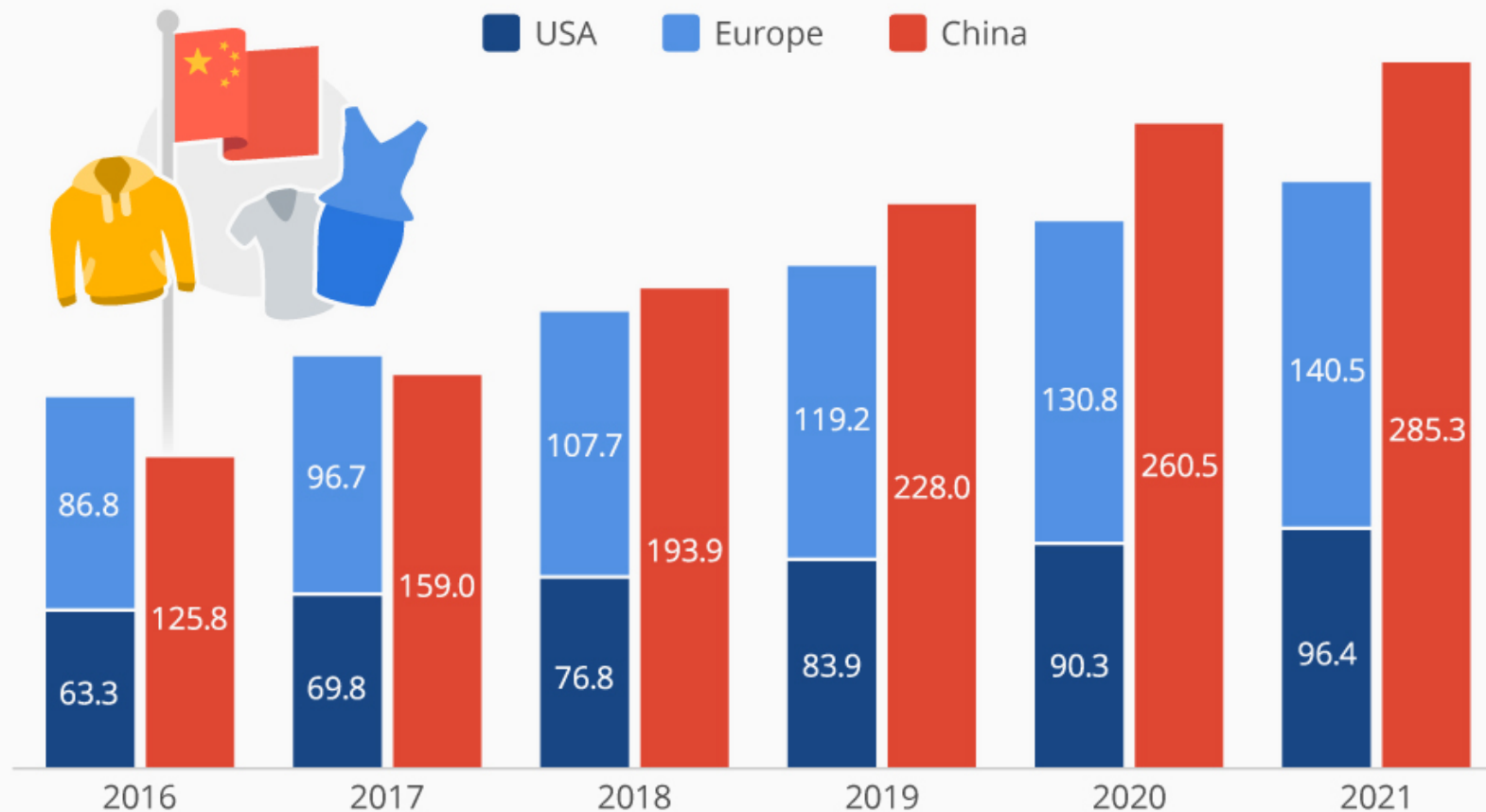
China's online retail market is larger than the next 10 markets combined

1. Online B2C and C2C market; Forecast for year-end 2019

SOURCE: iResearch and MOFCOM for China; eMarketer; McKinsey China Digital Consumer Trends 2019

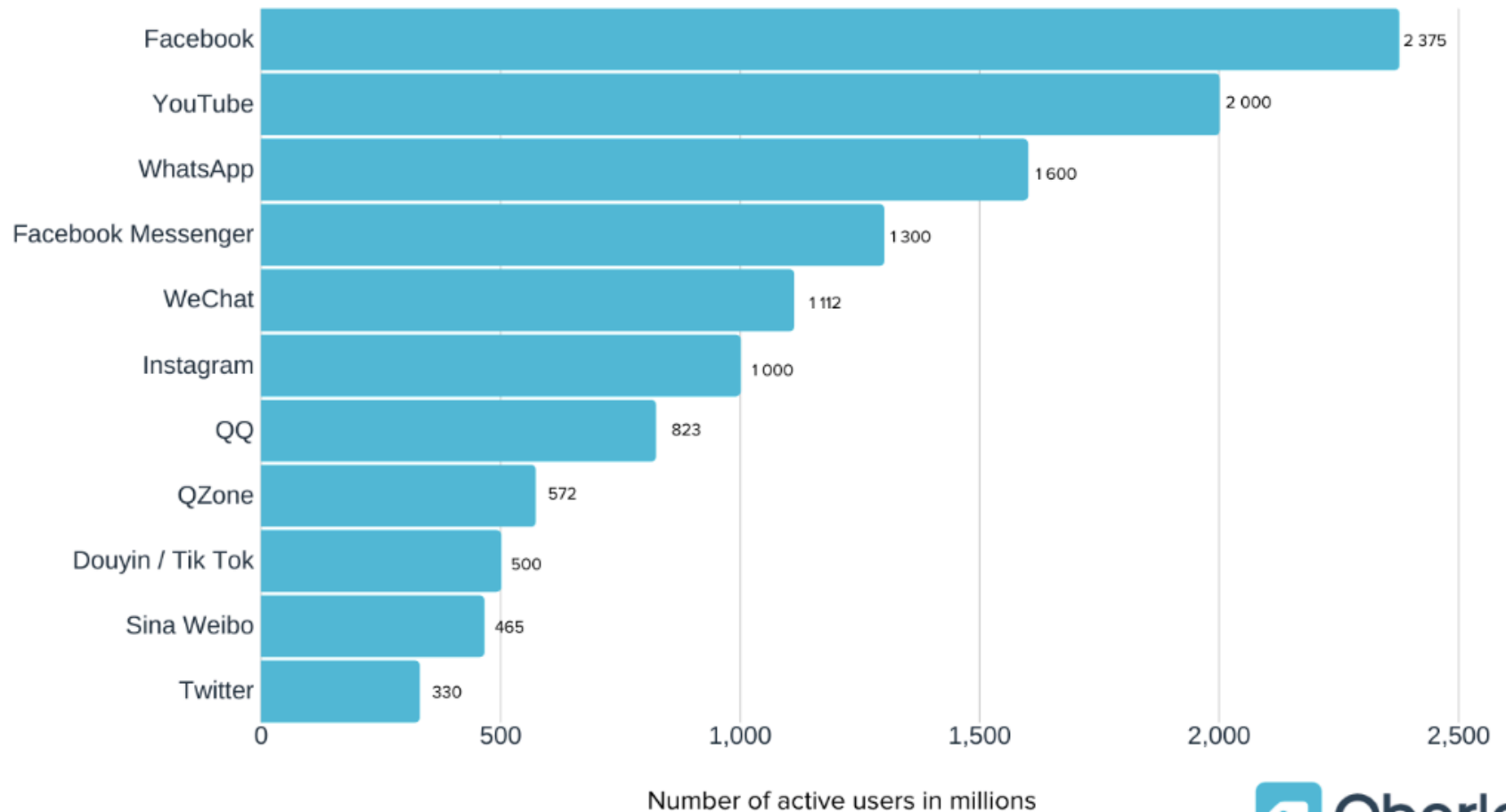
China Is Top Of The Online Fashion World

Projected online turnover from fashion (in billion U.S. dollars)





Most popular social media platforms in 2019





JAN
2019

CHINA

THE ESSENTIAL HEADLINE DATA YOU NEED TO UNDERSTAND MOBILE, INTERNET, AND SOCIAL MEDIA USE



TOTAL
POPULATION



1.418
BILLION

URBANISATION:
60%

MOBILE
SUBSCRIPTIONS



1.543
BILLION

vs. POPULATION:
109%

INTERNET
USERS



802.0
MILLION

PENETRATION:
57%

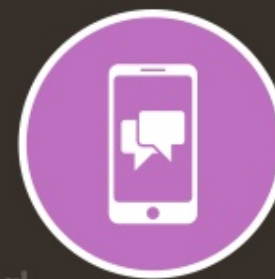
ACTIVE SOCIAL
MEDIA USERS



1.007
BILLION

PENETRATION:
71%

MOBILE SOCIAL
MEDIA USERS



1.007
BILLION

PENETRATION:
71%







JAN
2019

TIME SPENT WITH MEDIA

AVERAGE DAILY TIME SPENT CONSUMING AND INTERACTING WITH MEDIA [SURVEY BASED]



AVERAGE DAILY TIME
SPENT USING THE
INTERNET VIA ANY DEVICE



we
are
social

5H 52M

AVERAGE DAILY TIME
SPENT USING SOCIAL
MEDIA VIA ANY DEVICE



global
web
index

1H 57M

AVERAGE DAILY TV VIEWING TIME
(BROADCAST, STREAMING
AND VIDEO ON DEMAND)



2H 44M

AVERAGE DAILY TIME
SPENT LISTENING TO
STREAMING MUSIC



1H 10M



JAN
2019

E-COMMERCE ACTIVITIES

PERCENTAGE OF INTERNET USERS WHO REPORT PERFORMING EACH ACTIVITY IN THE PAST MONTH [SURVEY BASED]



SEARCHED ONLINE
FOR A PRODUCT
OR SERVICE TO BUY



we
are
social

80%

VISITED AN ONLINE
RETAIL STORE ON THE
WEB (ANY DEVICE)



global
web
index

94%

PURCHASED A
PRODUCT OR SERVICE
ONLINE (ANY DEVICE)



we
are
social

82%

MADE AN ONLINE
PURCHASE VIA A LAPTOP
OR DESKTOP COMPUTER



global
web
index

31%

MADE AN ONLINE
PURCHASE VIA A
MOBILE DEVICE



74%



JAN
2019

DEVICE USAGE

PERCENTAGE OF THE ADULT POPULATION* THAT USES EACH KIND OF DEVICE [SURVEY-BASED]



MOBILE PHONE
(ANY TYPE)



97%

we
are
social

SMART
PHONE



83%



LAPTOP OR DESKTOP
COMPUTER



53%

we
are
social

TABLET
DEVICE



20%

TELEVISION
(ANY KIND)



94%



DEVICE FOR STREAMING
INTERNET CONTENT TO TV



19%

we
are
social

E-READER
DEVICE



2%



WEARABLE
TECH DEVICE



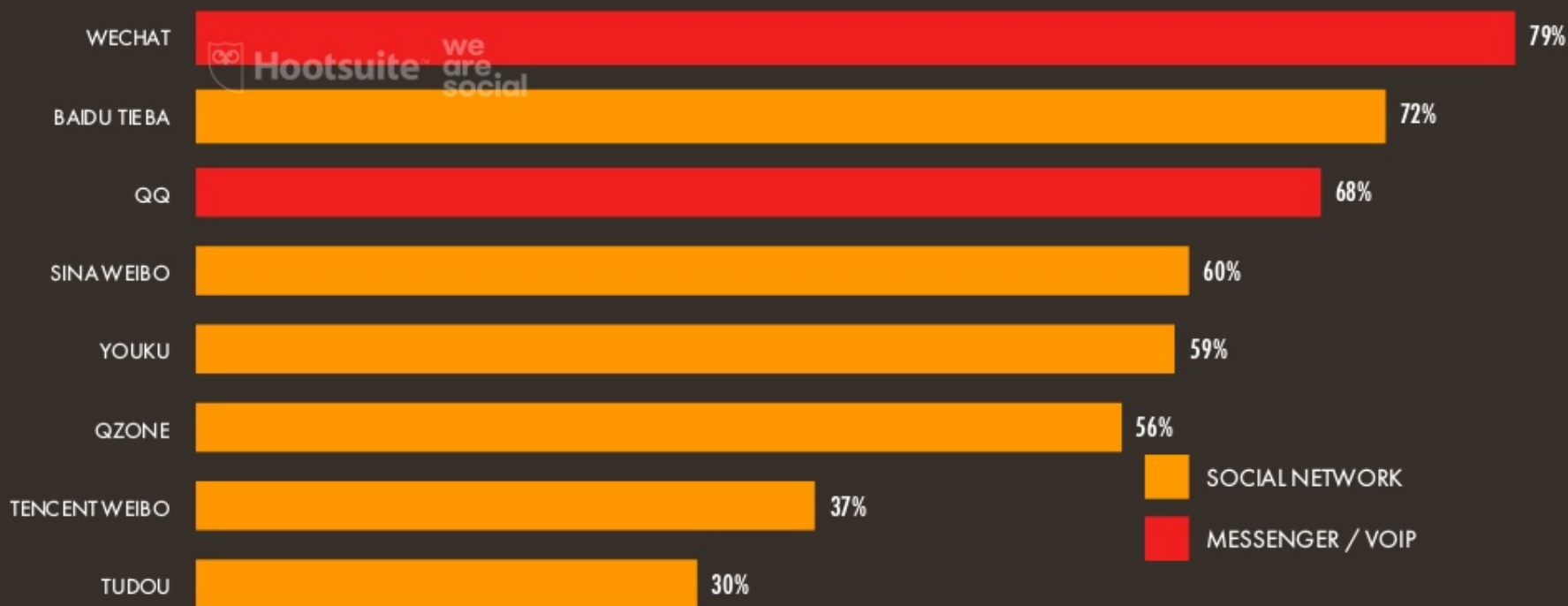
8%



JAN
2019

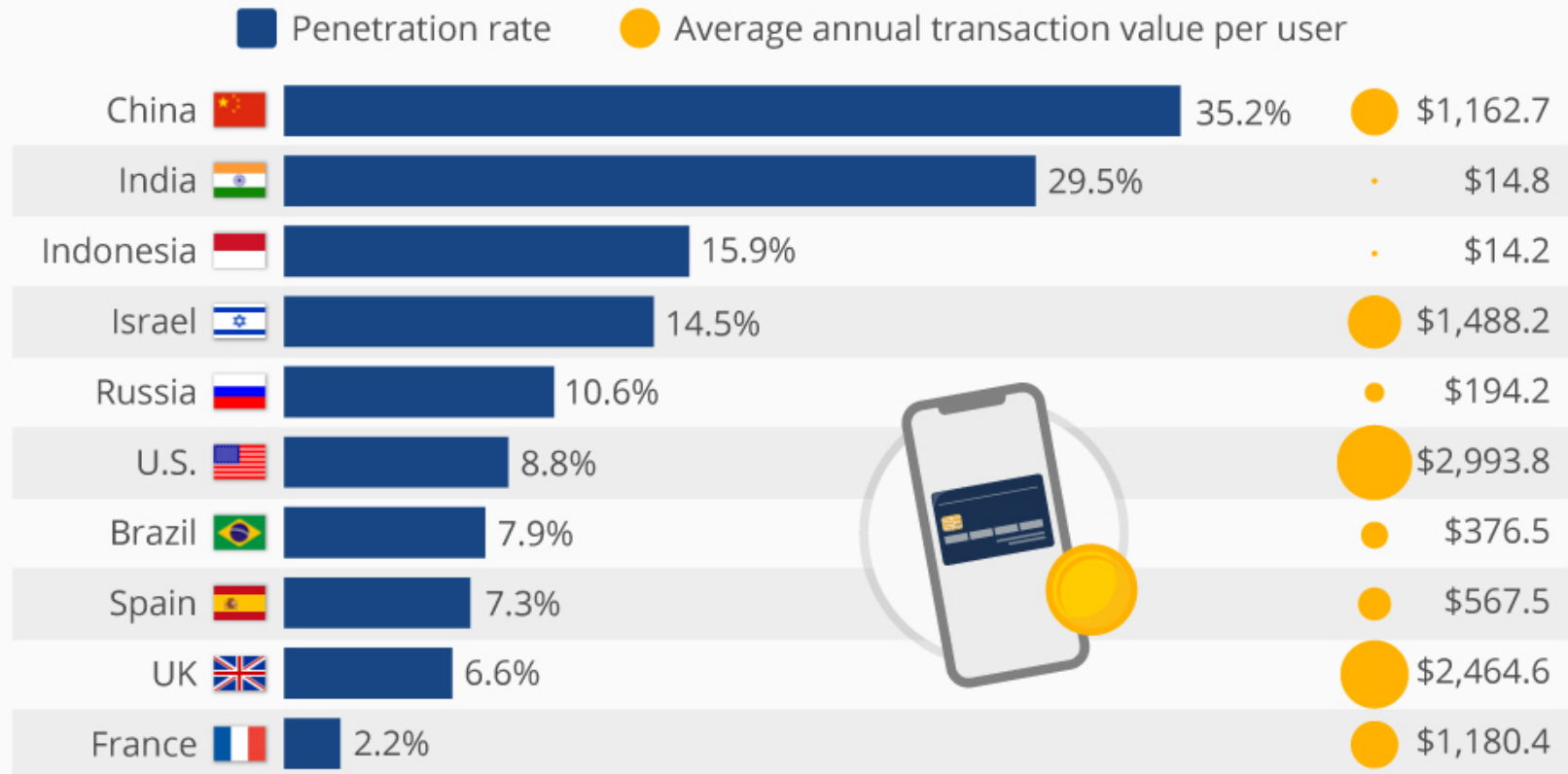
MOST ACTIVE SOCIAL MEDIA PLATFORMS

PERCENTAGE OF INTERNET USERS WHO REPORT USING EACH PLATFORM [SURVEY BASED]



China's Mobile Payment Adoption Beats All Others

User penetration in the mobile point-of-sale segment in 2019* (selected countries)



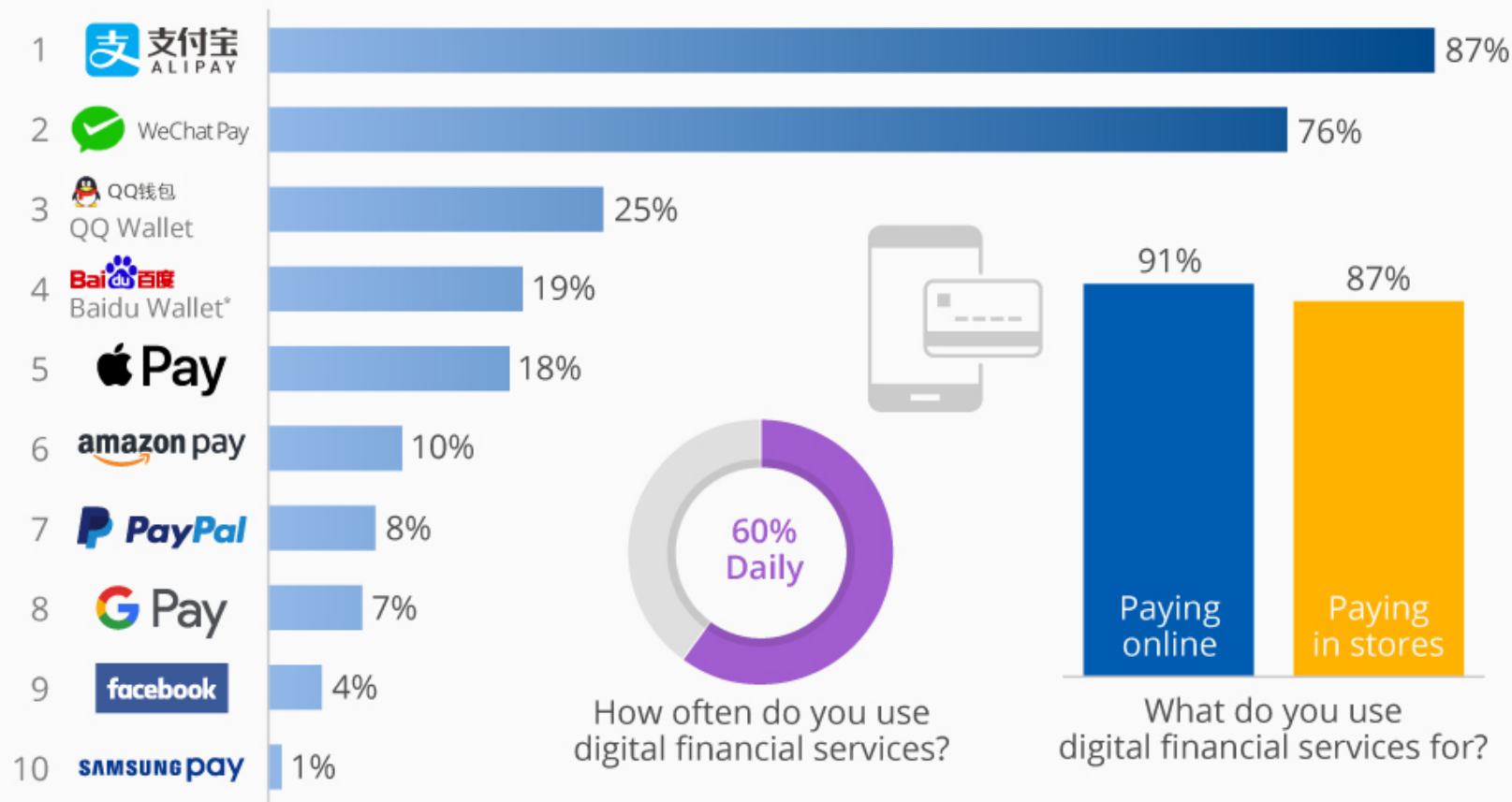
The Mobile POS Payments segment includes transactions at point-of-sale that are processed via smartphone applications (so-called "mobile wallets").

* projected figures, selected countries

Source: Statista Digital Market Outlook

China's Most Popular Digital Payment Services

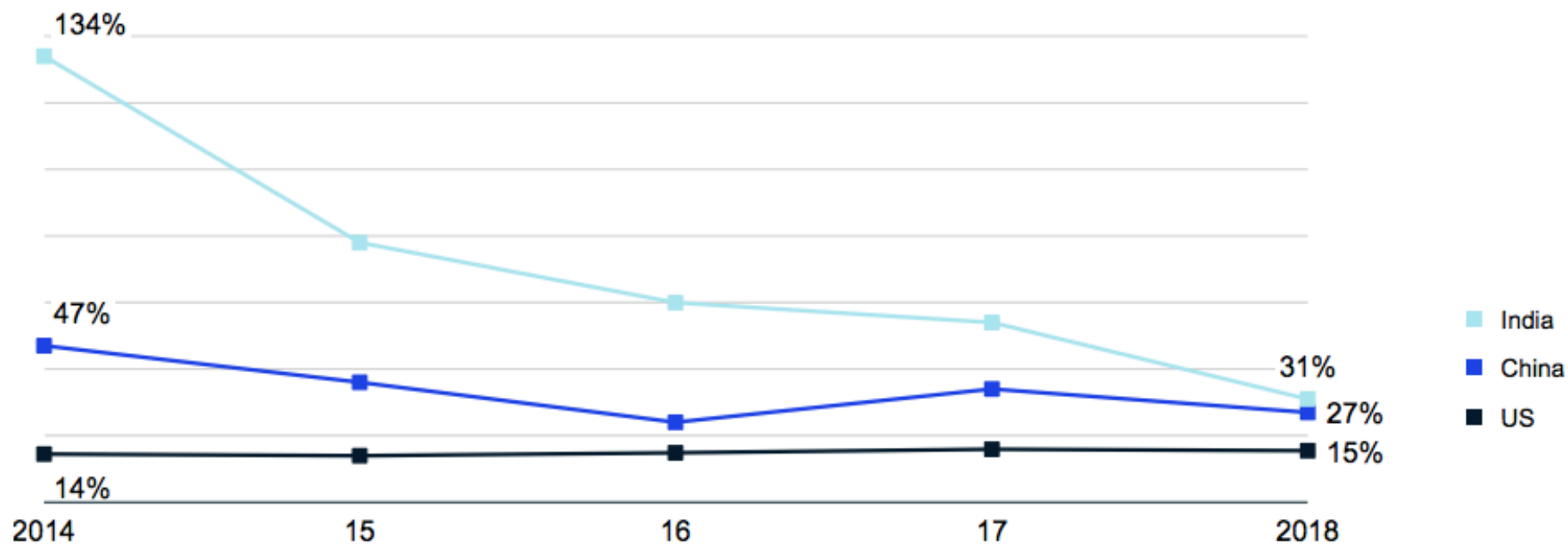
Share of survey respondents who said they used the following payment services





E-commerce gross merchandizing volume (GMV) growth

% year-on-year



SOURCE: McKinsey China Digital Consumer Trends 2019; eMarketer



Social Media Marketing in China

Media from the “person + content” point of view

Traditional marketing has been taken down by social media marketing.
Now social media marketing is also changing.

Traditional



KOT

Authority of a
channel

SMM



KOL

Authority of
an expert

KuaiShou-SMM

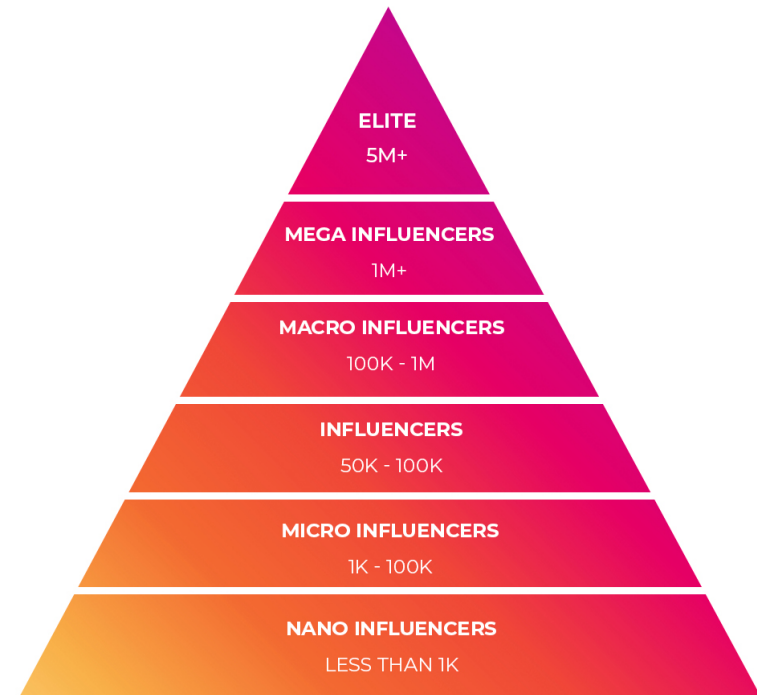
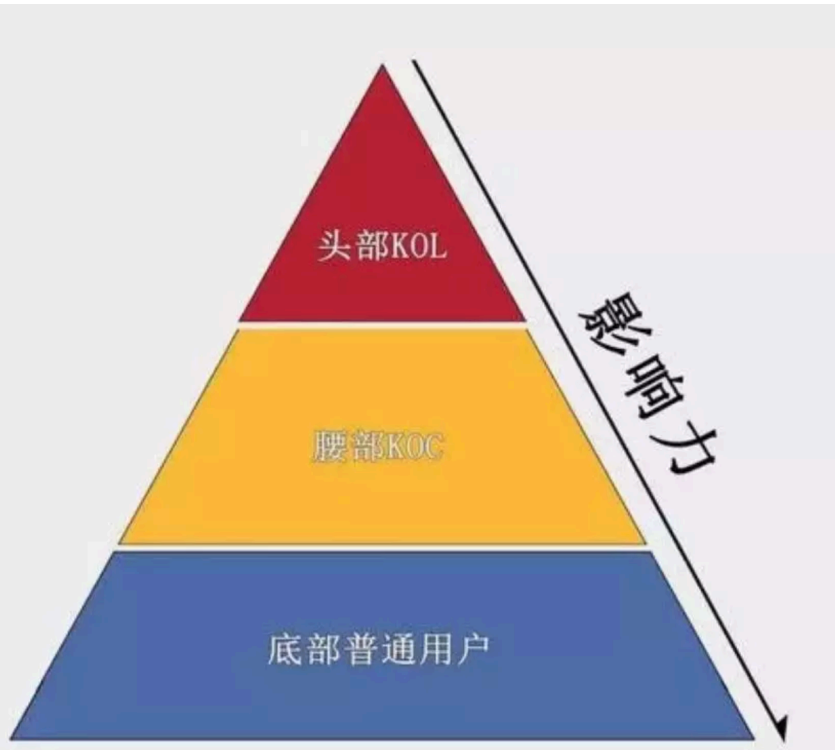


KOC

Authority of a
friend



Social Media Marketing in China



INFLUENCER TIERS



Social Media Marketing in China



On June 22, 2014, TFBOYS member Wang Junkai was awarded a Guinness World Record title for a Weibo post that was reposted 42,776,438 times. Luhan holds the Guinness World Record for most comments.

There are more than 100,000 influencers with 1 million+ subscribers in China!



Published on 10 September 2012 celebrating the singer's favourite football team, English Premier League side Manchester United, the video post first achieved the record on 5 August 2012 after registering a staggering 13,163,859 comments.

As of 2 September 2015, the same post had clocked up 100,252,605 responses (and counting), having risen by an unbelievable 87,088,746 comments.



Social Media Marketing in China

Which Social Media Marketing Tactics Will Marketers/Media Agency Professionals in China Pay Attention to in 2019?

% of respondents

Influencers

60%

Short videos/live streaming

55%

Corporate WeChat account operation

54%

Social ecommerce

39%

Social CRM

39%

Corporate Weibo account operation

32%

Influencer marketing is expected to receive the most attention from marketers/media agency professionals in 2020

Note: n=240

Source: AdMaster and TopMarketing, "2019 Digital Marketing Trends," Dec 14, 2018



Social Media Marketing in China

Leading Social Media Marketing Tactics Among Marketers/Media Agency Professionals in China, 2017 & 2018

% of respondents

Promotion with internet celebrities and key opinion leaders



Corporate WeChat account operation



Social CRM



Social ecommerce



Corporate Weibo account operation



Short videos/live streaming



■ 2017

■ 2018

Note: 2017 n=93; 2018 n=90

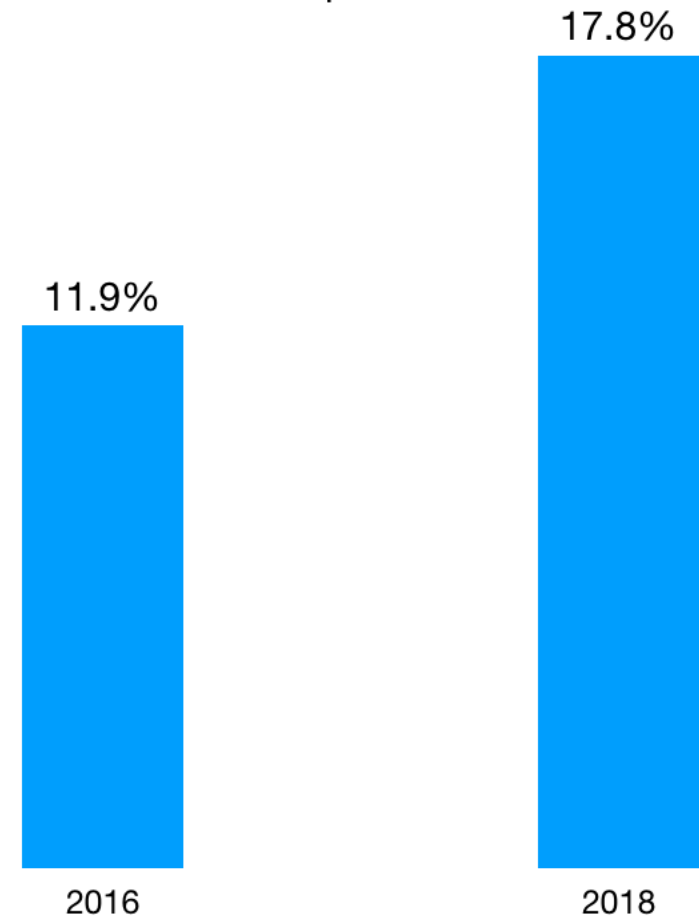
Source: AdMaster and TopMarketing, "2018 Digital Marketing Trends Report," Jan 3, 2018



Social Media Marketing in China

Influencer economy was estimated to be \$17.16B in 2018 or about 18% of the total media ad spend According to CBNDData, influencer economy in China was estimated to be around \$17.16B in 2018, more than double that of 2016

Influencer marketing as percentage of total media ad spend



Source: eMarketer Feb 2019
CBNDData



Social Media Marketing in China

Internet Users in Select Countries Who Are Receptive to Select Social Media Brand Promotion Tactics, May 2017

% of respondents

	China	US	Japan	UK	France	Germany
Product placement/branded content	87%	50%	42%	42%	31%	30%
Celebrity recommended brands	78%	38%	35%	32%	27%	21%
Micro-influencers/online celebrity recommended brands*	63%	49%	39%	38%	29%	34%

*Note: *bloggers, vloggers, live-streamers, etc., also known as "wanghong"*
Source: A.T. Kearney, "Global Future Consumers Study," May 16, 2018

239073

www.eMarketer.com

Chinese consumers are very receptive to celebrities or KOL endorsement in comparison to the US, UK, Japan, France or Germany



Social Media Marketing in China

Influencer marketing is getting professionalized quickly.

It's much easier to see it in action rather than writing about it so take a look at this video about Mr Bag in China "When Givenchy Needs To Sell A Handbag In China, They Call Mr. Bags".

Key opinion leader (KOL) / Influencer in China has a diverse way of earning an income beyond ads

https://www.youtube.com/watch?v=5g4VQV7_ns

Influencer* Revenue Share According to Influencers* in China, by Type, June 2018

% of total

Marketing and advertising

19.6%

Ecommerce

19.3%

Derived from live streaming (e.g., virtual gifts)

17.2%

Financial rewards for signing contracts (with platforms)

14.2%

Content (spending by platform users)

11.3%

Rewards/virtual gifts (sent by platform users)

7.0%

Q&A

5.3%

Other

6.1%

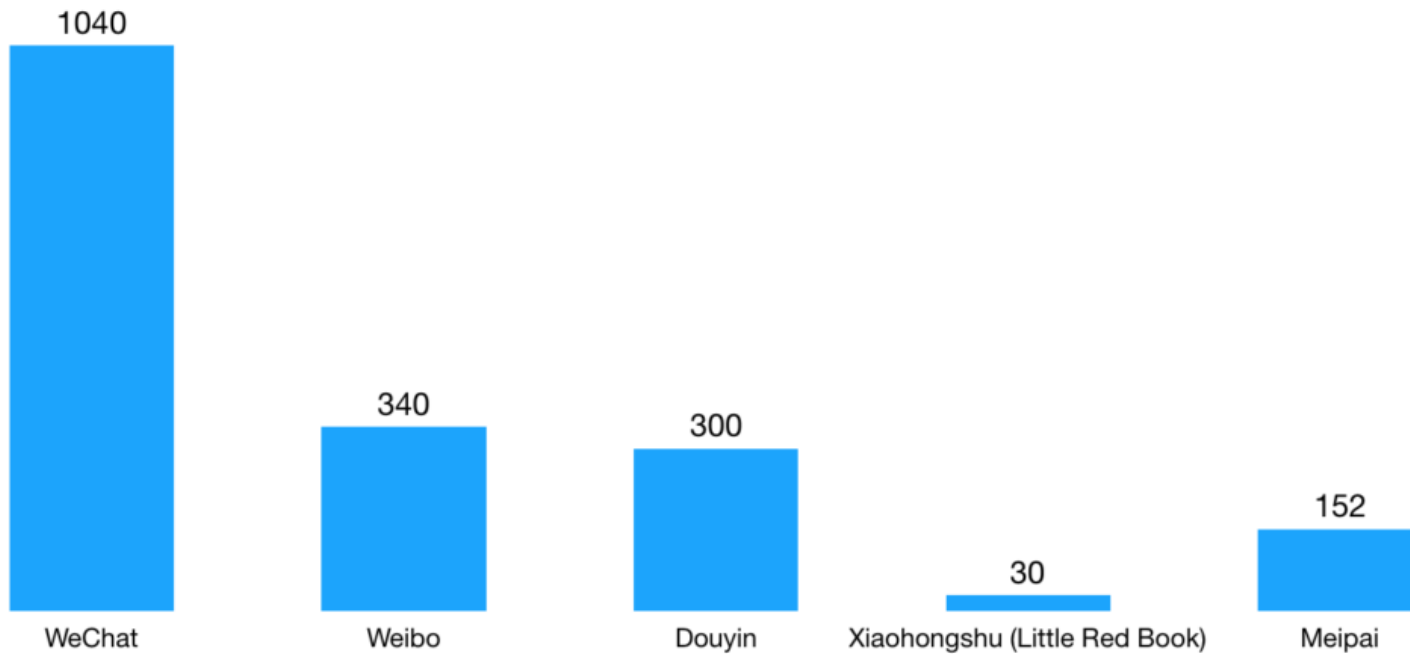
Note: n=500; *broadly defined as online celebrity (also known as wanghong) and key opinion leader (KOL)

Source: iResearch Consulting Group and Weibo, "2018 China Online Celebrity Economy Development Insights Report," June 19, 2018



Social Media Marketing in China

Monthly active users in 2018 (millions)



Source: eMarketer Feb 2019

Popular platforms for social commerce in China



Social Media Marketing in China

Influencers can affect opinion and decisions of Affluent consumers in China more than average worldwide

Digital Channels that Affect Opinions/Decisions on Luxury Purchases According to Luxury Consumers* in China vs. Worldwide**, 2017

% of respondents

	China	Worldwide**
Brand's website	26%	29%
Brand's official social media pages	27%	18%
Advertising or articles in digital magazines	12%	16%
Influencers and fashion bloggers	20%	13%
Digital communication from the brand	11%	13%
Online blogs	10%	12%
Brand's mobile app	12%	11%
Instant chat services	12%	9%

*Note: includes personal and experiential luxury, excludes cars and yachts;
*spent an average of €37K on luxury purchases in the past year; **includes Brazil, China, France, Germany, Italy, Japan, Russia, South Korea, the UK and the US*

Source: Boston Consulting Group (BCG) and Altagamma, "2018 True-Luxury Global Consumer Insight: 5th Edition," Feb 20, 2018



Social Media Marketing in China

Major Players

Company Name	Round	Amount (in millions, RMB)	Time	Lead Investor
Fan Xing You Xuan (繁星优选)	Series A	17.25	12/3/14	China Media Capital
PBLAB (杭州缙苏)	Series B	30	5/3/16	Beijing Enlight Media Co Ltd.
Yu Jia Yu Le (娱加娱乐)	Series B	100	8/4/16	Legend Capital
Ruhnn (如涵电商)	Series B	12	10/26/15	Saif Partners

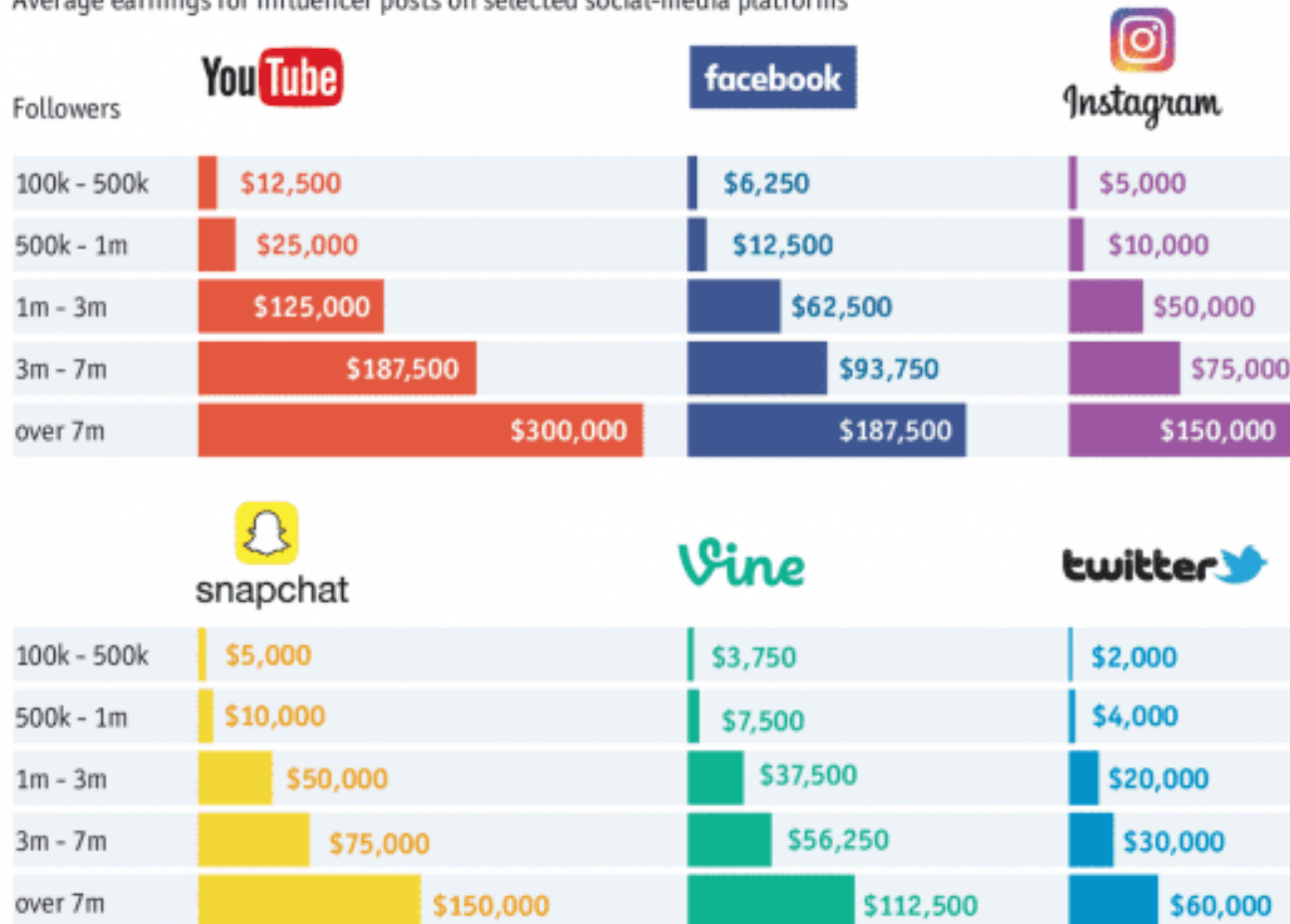
Influencer incubators in China help to nurture promising influencers and work with them to amplify their influence on social media, or prepare for massive sales season like Singles Day. Alibaba backed Ruhan is planning an IPO on Nasdaq in 2020.



Social Media Marketing in China

Follow the money

Average earnings for influencer posts on selected social-media platforms



Source: Captiv8

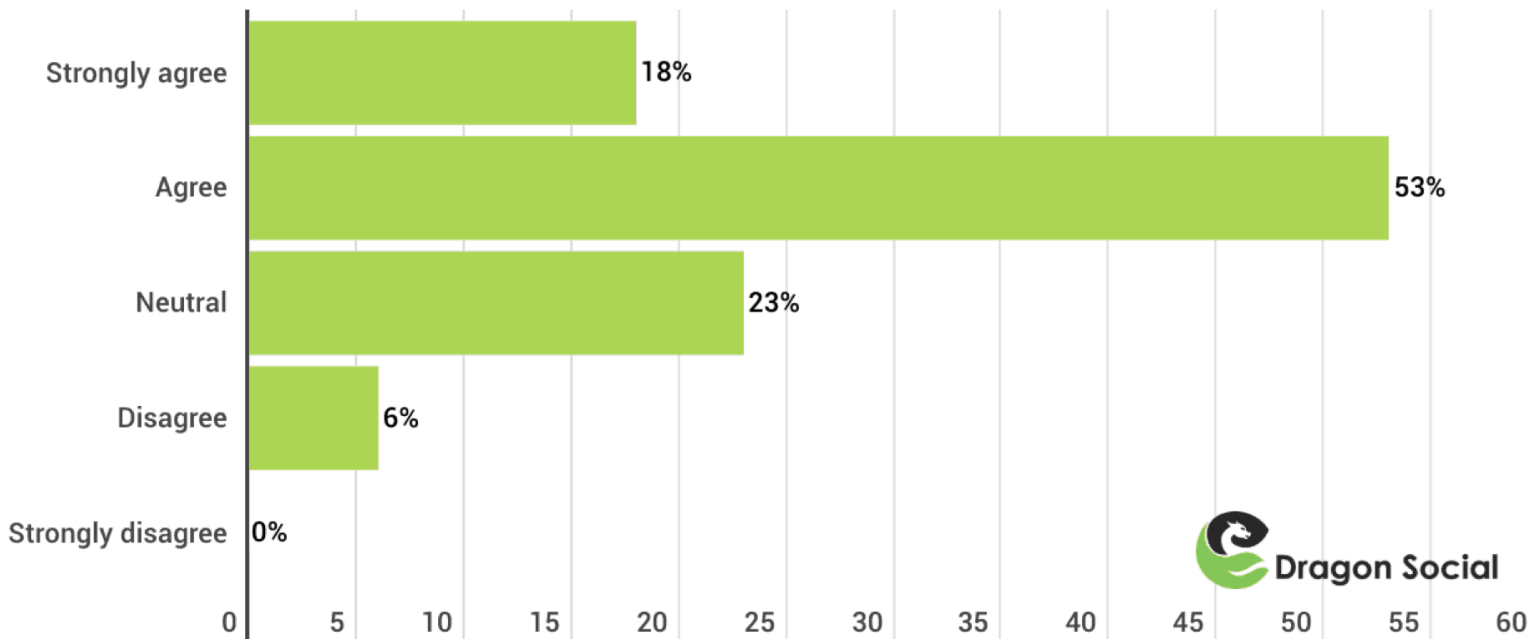
In case of China

Chinese influencer **Gogoboi** gets \$9 million of yearly revenue solely from WeChat advertising, and \$1.8 million per year of revenue from Weibo advertising.



Social Media Marketing in China

Quality of customers / traffic from KOL marketing is better than other sources



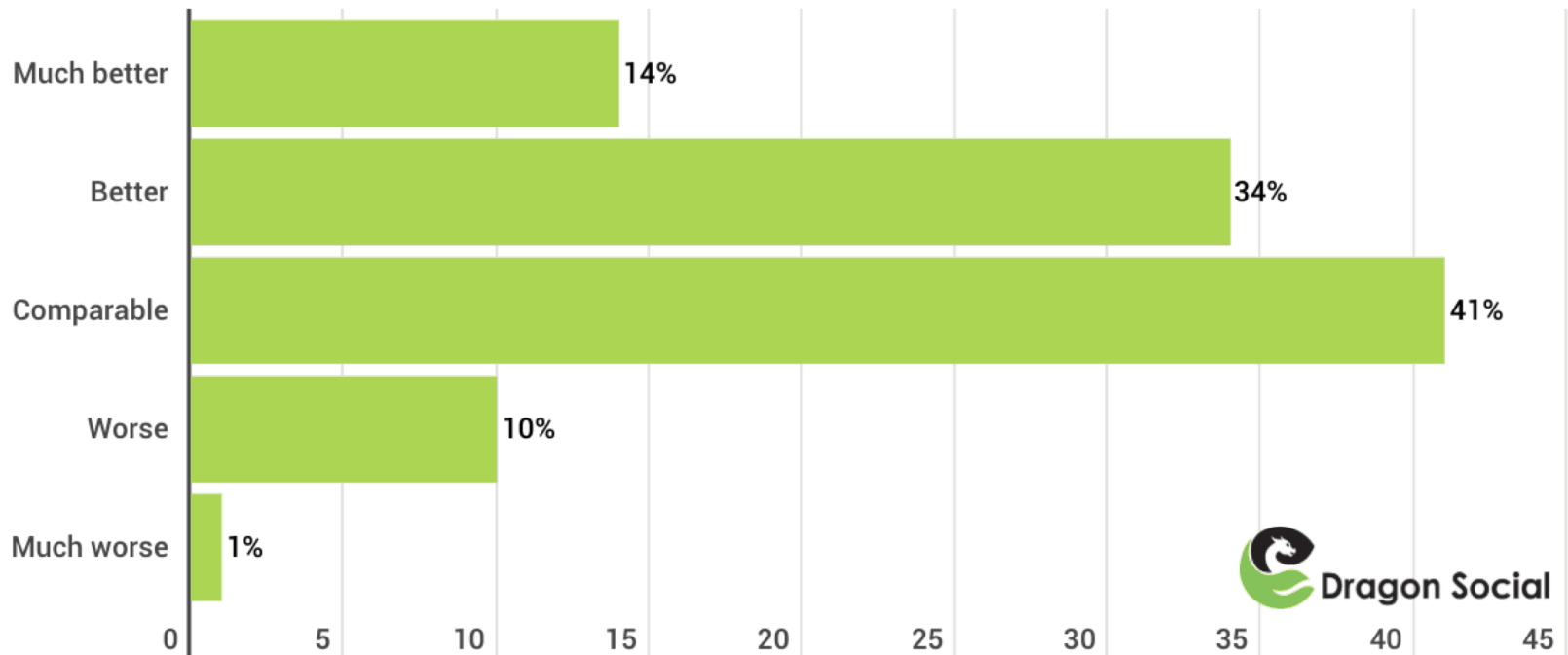
Source: Mediakix

71% of marketers say the quality of customers and traffic from KOL marketing is better than other sources.



Social Media Marketing in China

Compared to Other Channels, ROI from KOL Marketing is...



Source: Mediakix

Overall, 89% of businesses say their ROI from KOL marketing is comparable to or even better than other marketing channels.



Social Media Marketing in China



Weibo

MAU: 465 millions
DAU: 203 million
(as of March 2019)

Top KOLs on Weibo:

张奕奕
Zhang Dayi
(@张奕奕eve)

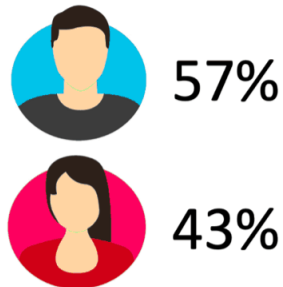


20M +

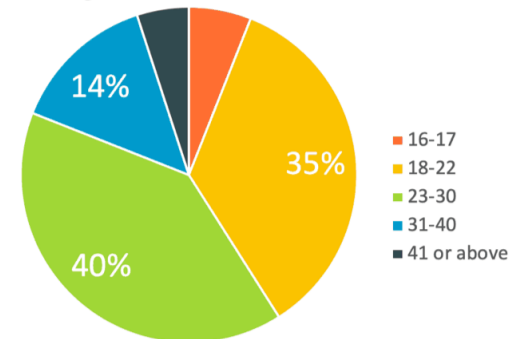
姜逸磊
Jiang Yilei
(@Papi酱)



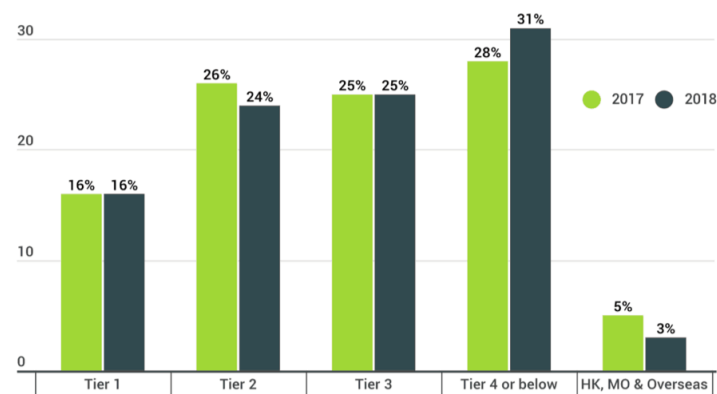
Gender Distribution



Age Distribution



Geographic Distribution



Source: data.weibo.com



According to a report by Weibo with iResearch, 53.9% of all the KOLs' followers are aged under 25.



Social Media Marketing in China



WeChat

MAU: over 1 billion
(as of Q4 2019)

Top KOLs on WeChat:
YangFan Jame



YangFanJame

这是一个有毒的时尚类精神服务账号，
如果你想做个正常人就请离我们远
点.....

516篇原创文章

[关注官方微博](#)

买买买

文章

年轻人的衰老，是从搜索“dri”是
什么意思“开始的
[原图](#)

事实证明，优秀的男人都上交国
家了
[原图](#)

Gender Distribution

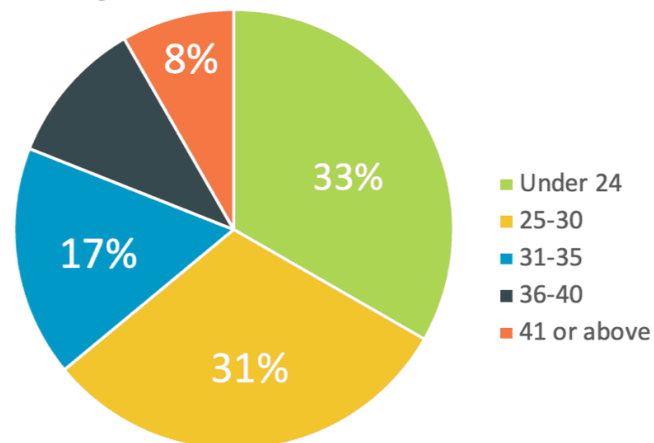


53.8%

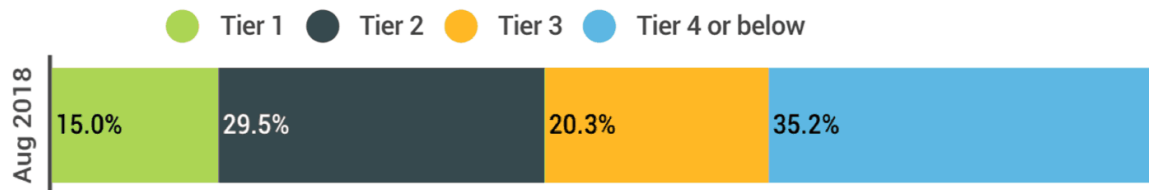


46.2%

Age Distribution



Geographic Distribution



Source: QuestMobile



WeChat is an all-in-one platform in China. One unique feature that WeChat offers is KOL advertising. This allows brands to place banner advertisements within the content of a KOL's posts.



Social Media Marketing in China



Xiaohongshu

MAU: over 85 million
(as of June 2019)

Top KOLs on Xiaohongshu:

朴惠敏 Pony



范冰冰 Fan Bingbing



Gender Distribution

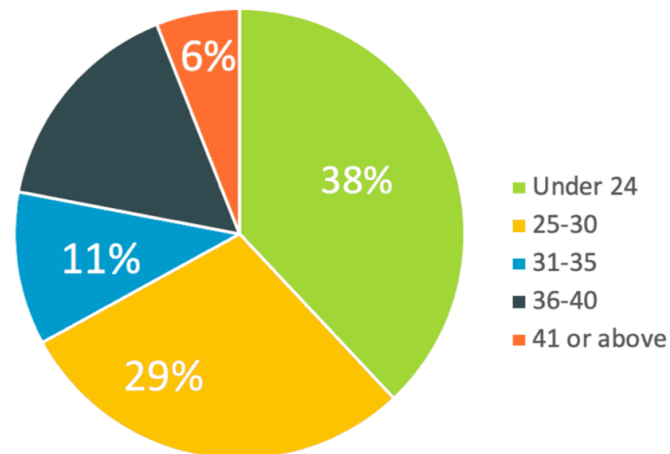


12.76%

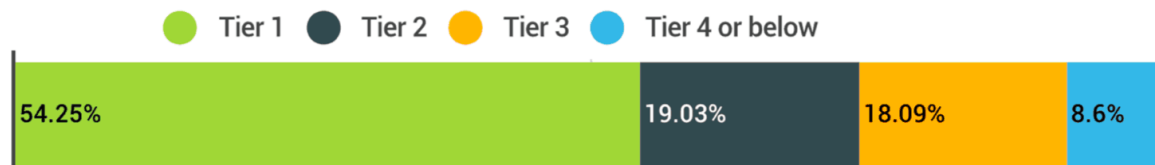


87.23%

Age Distribution



Geographic Distribution



Source: qianfan.analysis.cn

Like Weibo, Xiaohongshu has a young audience with over 70% of Xiaohongshu's users being born in the post-1990s.



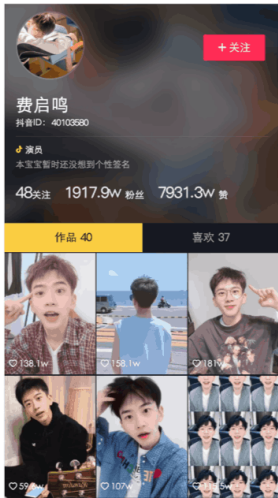
Social Media Marketing in China



TikTok

MAU: over 500 million
DAU: over 250 million
(as of January 2019)

Top KOLs on TikTok:
费启鸣 Fei Qiming



张欣尧 Zhang Xinyao



Gender Distribution

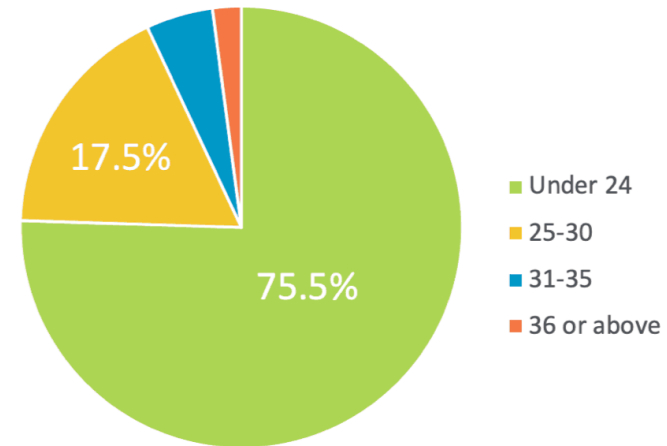


34%

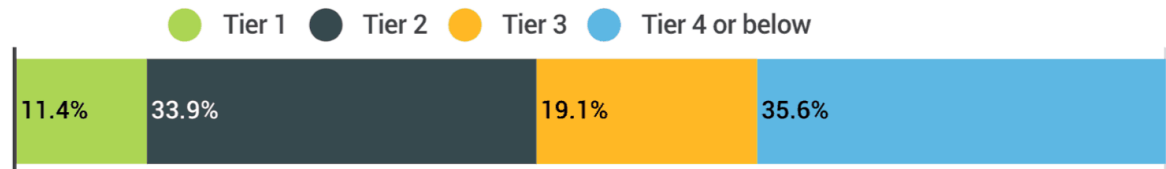


66%

Age Distribution



Geographic Distribution



Source: QuestMobile



TikTok is the #1 short video platform in China, and the first Chinese social media platform to gain any traction abroad.



Social Media Marketing in China



Kuaishou

MAU: 340 million
DAU: over 200 million
(as of April 2019)

Top KOLs on Kuaishou:

韩安冉 Han Anran



原来是晶哥 Li Jing



Gender Distribution

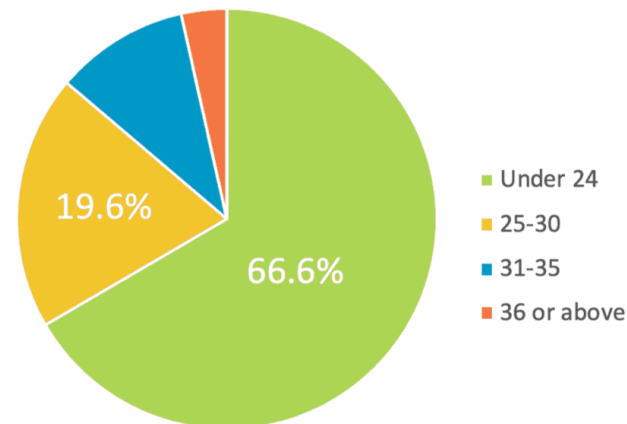


42.2%

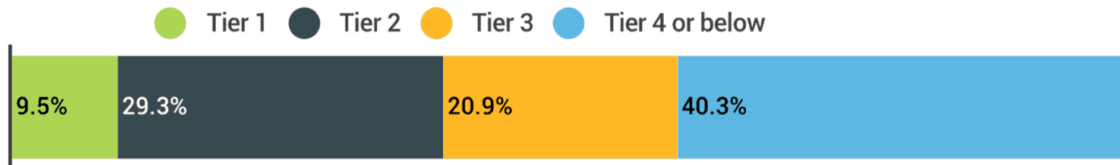


57.8%

Age Distribution



Geographic Distribution



Source: QuestMobile



Kuaishou is now the second-largest video platform.

On 4 July 2019, Chinese artist Aaron Kwok Fu Shing collaborated with Kuaishou KOL Simba on live streaming. The total number of viewers recorded exceeded 1.1million and total sales recorded from the streaming was as high as 4 million.



Social Media Marketing in China

Username	Platform	Followers	Average charge
mx_风小箏 (Tan Muxi)	Weibo	317K	60K RMB / post
After Party (Official Account)	WeChat	550K	40K RMB (Average views : 32K)
	Xiaohongshu	10-20K	300-600RMB / post with promotional content
			700-1000RMB / post personalised content
		70-100K	10K RMB / post
		100K+	up to 550K RMB / post
张欣尧 (Zhang Xinyao)	Tiktok	10M	390K RMB / 1-20s video
			585K RMB / 21-60s video
黑脸V	Tiktok	25M	780K RMB / 1-20s video
			1.17M RMB / 21-60s video

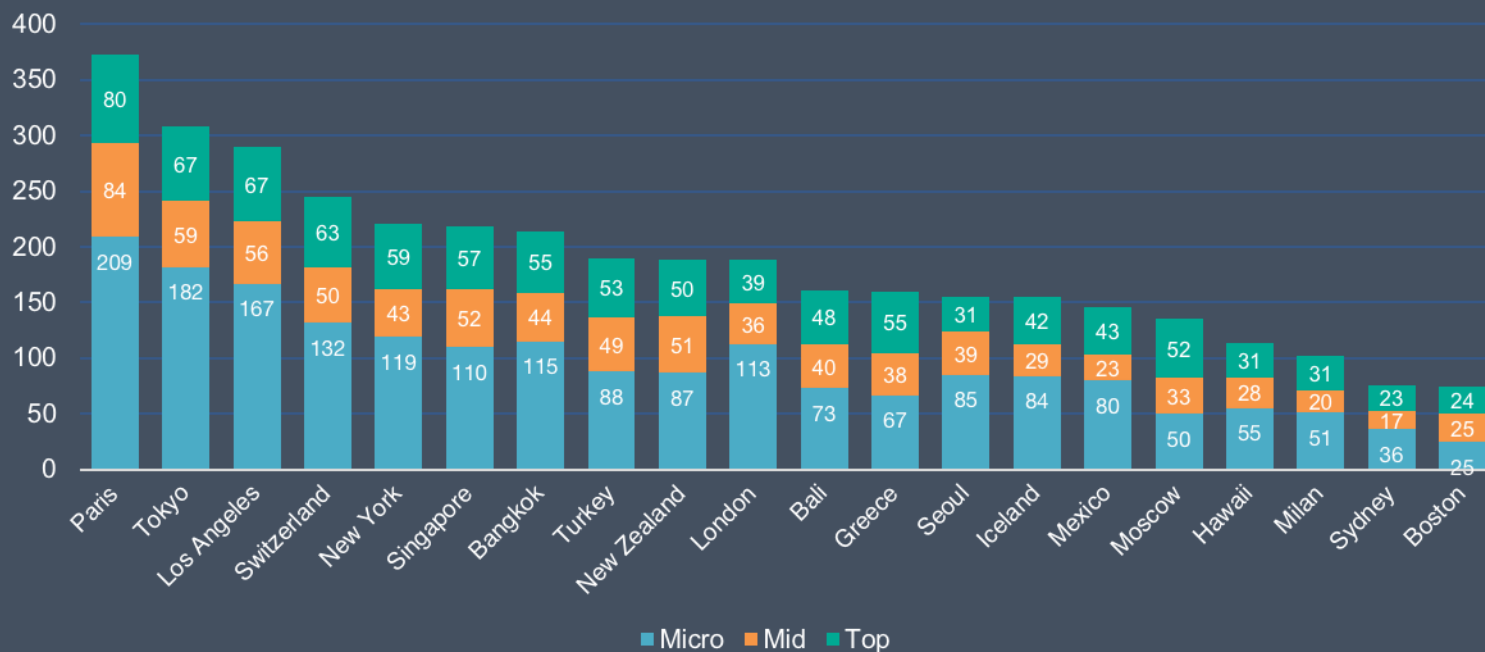


Social Media Marketing in China

China KOL's Most Discussed Destinations

“Which Destinations were Most Discussed by China’s KOLs?”

Paris, Tokyo, and LA top the list with Paris as the big winner. It's no surprise that Paris has been a top travel destination for Chinese tourists for many years.



SOURCE: PARKLU TRAVEL INDUSTRY REPORT: FOR THE PERIOD 2018.5.1 TO 2018.7.31





Social Media Marketing in China

KOL VS. KOC

- Both of them are influential, and they can be business partners. KOC is the loyal fans to the specific brands themselves.
- Advertisers invest amounts of budget on the KOL for promotion to drive traffic. However, KOC is almost the independent salesperson for the brand. They earn a commission based on mouth-to-mouth marketing among their fans.
- KOL are responsible for promotion on the scale. KOC focus more on the operation side, such as sales and customer service, once you become their target audience.
- KOL is B2B2C. KOL referral the products or service after the brand's official launch to the public, and delivers the messages to their fans based on the customized plan from brand companies. KOC is B2C2C. They are the only group of people who get the new product-release information from the companies directly, and then they are responsible for bringing these messages to their fans.



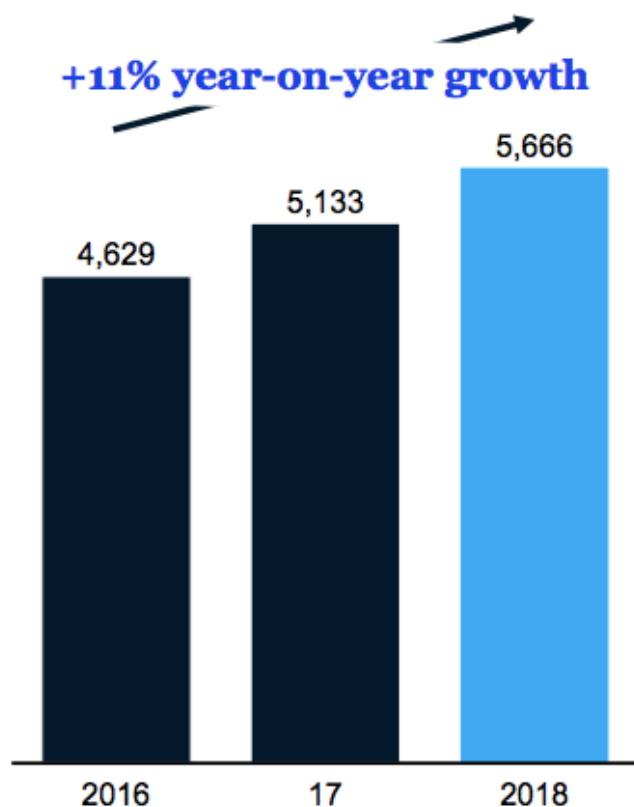
Social Media Marketing in China

KOL和KOC的区别		
属性	KOL	KOC
中文解释	关键意见领袖	关键消费领袖
英文翻译	Key Opinion Leader	Key Opinion Consumer
营销范围	公域流量	私域流量
角色定位	专家；名人；明星；网红等	朋友；普通消费者；转介绍者等
流量大小	大	小
转化比率	较低	较高
互动效果	弱	强
和消费者的距离	远	近
报价	高	低
计费方式	CPM（按曝光付费）为主	CPS（按实际销售付费）为主
本质	“场景/内容”为中心	以“人”为中心

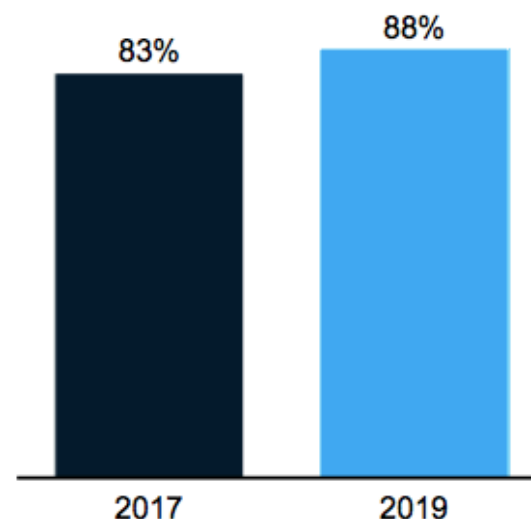


Digital consumer shopping behavior across physical channels

of shopping malls



% of digital apparel consumers who shopped in a physical channel in the past 3 months¹

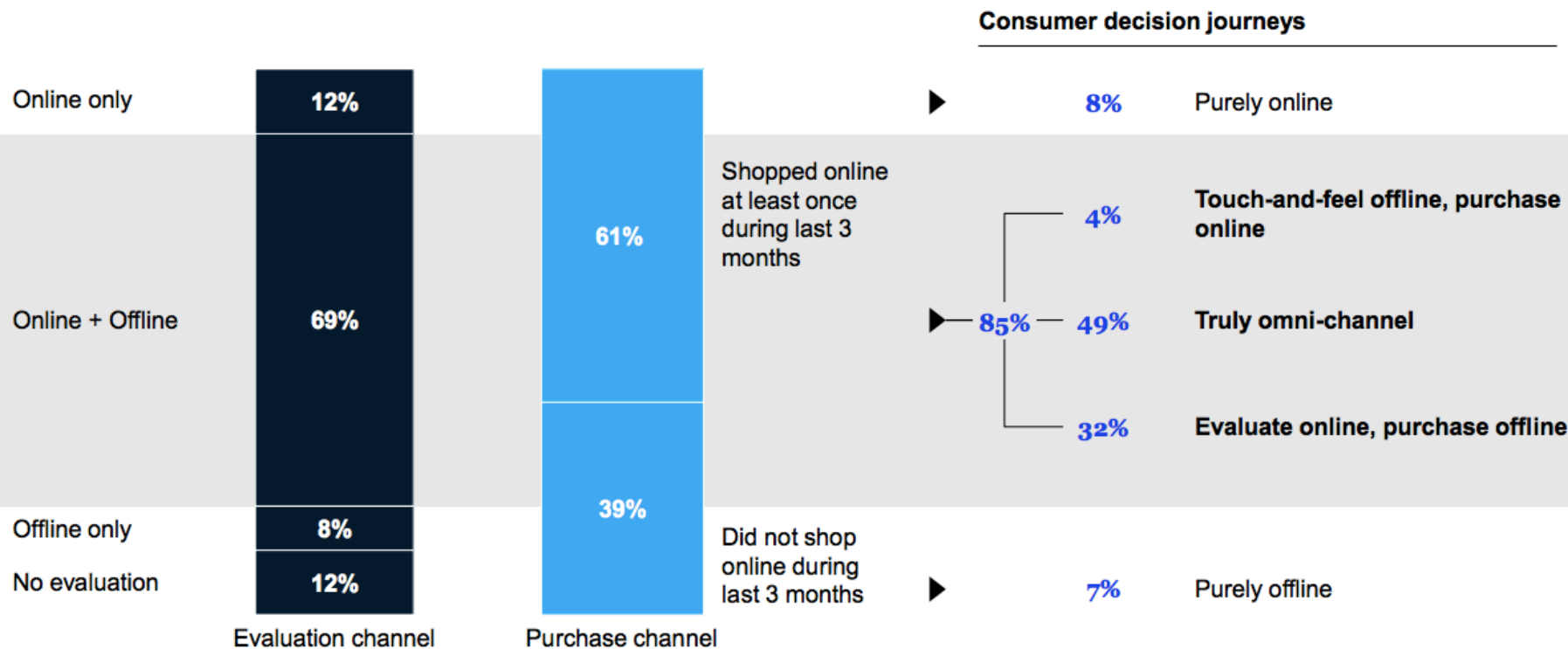


**Led by young consumers
(<35 years old) in
tier 1-2 cities**



Omni-channel influence on purchasing decisions

Percentage of apparel shoppers who engage with both online and offline touchpoints



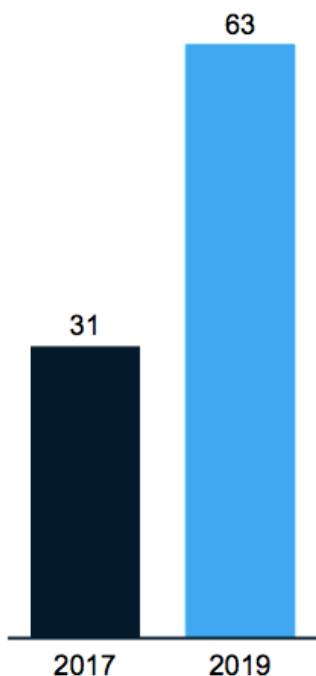
SOURCE: McKinsey China Digital Consumer Trends 2019



Omni-channel presence in the “showroom effect”

Shoppers who conduct mobile research in a physical store

Percent of online apparel shoppers



Impact on final purchasing decisions

Percent of online apparel shoppers who research online in physical stores

Impact

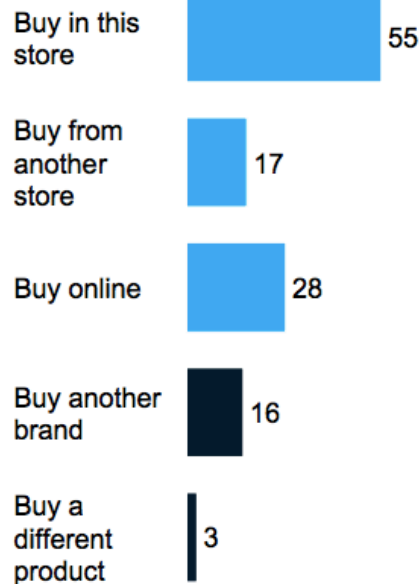
Sales maintained within brand

81%

Potential sales leakage to other brands

19%

Purchase decisions



Top 5 reasons for conducting in-store mobile research



Learn more about product details



Check price



Check comments



Check popularity (sales volume)



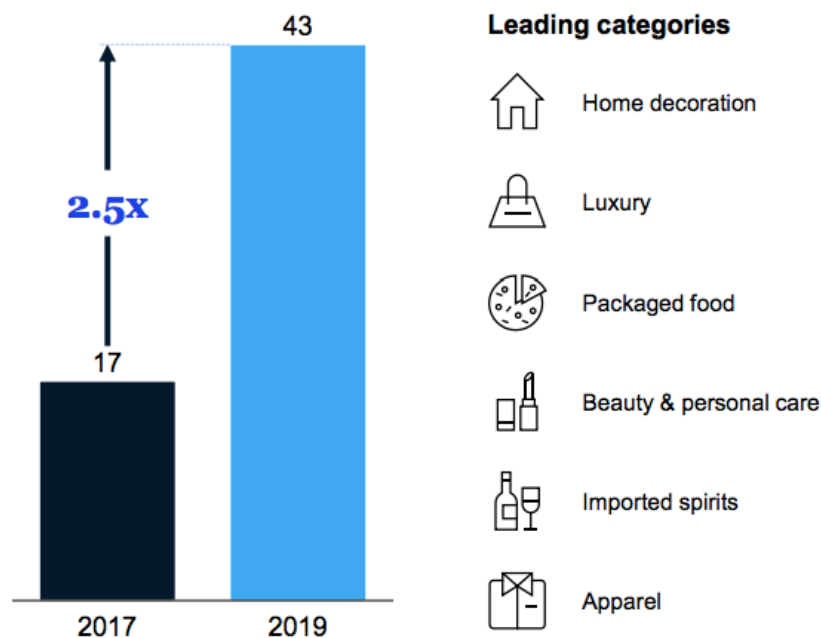
Check for more convenient purchase method



Use case adoption of “digitally-powered physical retail innovation”

Use case adoption rate

Percent of online shoppers who have tried at least one use case¹



Definitions of 3 use cases

1 Omni-channel fulfillment

Shop online pickup offline
QR code for online research & purchase
Check offline stock online
Deposit online full payment offline
Personalized delivery²

2 In-store digitization (“Phygital”)

Mobile cashier
Self check-out in store
Face recognition
Electronic price tag
VR shopping
AR shopping
Digital interactive screen
Robot services

3 New go-to-market model

Smart vending machine
Product customization
Unmanned store
Crowdfunding

1. Includes 5 categories for a comparison with 2017: consumer electronics, apparel, beauty & personal care, packaged food, fresh food

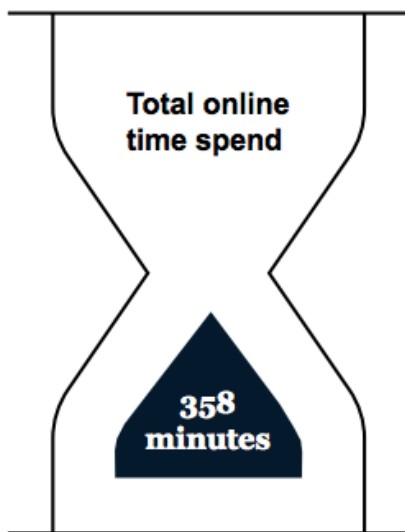
2. Delivery of multiple products of different colors, sizes, etc. The consumer keeps the ones she wants and returns the rest upon delivery



Time spent online by digital consumers

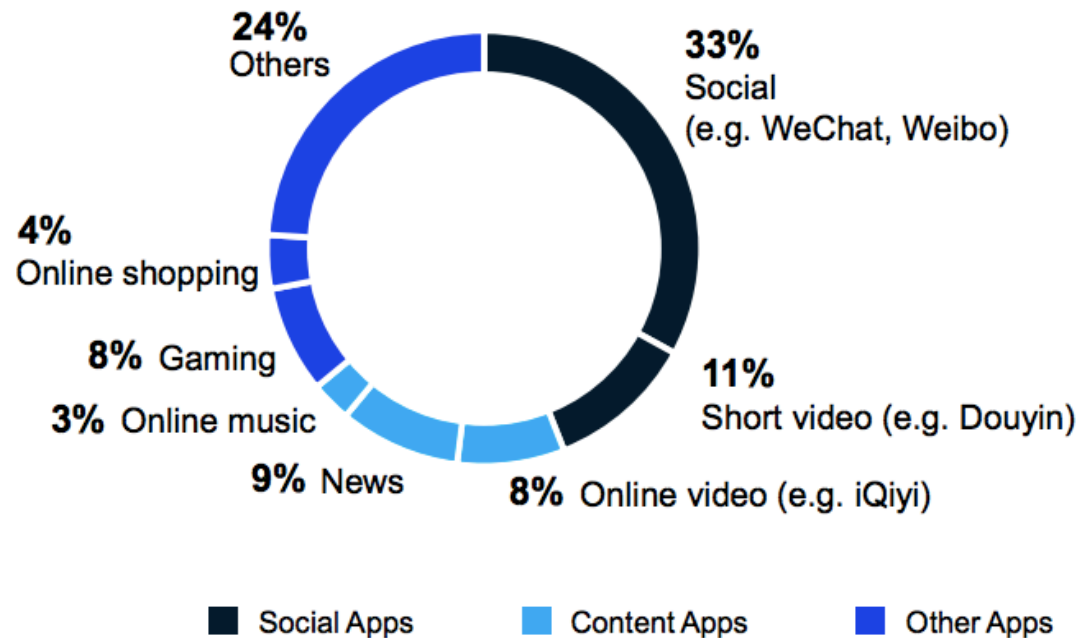
Total time spent online

minutes per user per day



Social media & content account for 2/3 of total online time spent¹

% of time spent by digital consumers on different online applications & activities

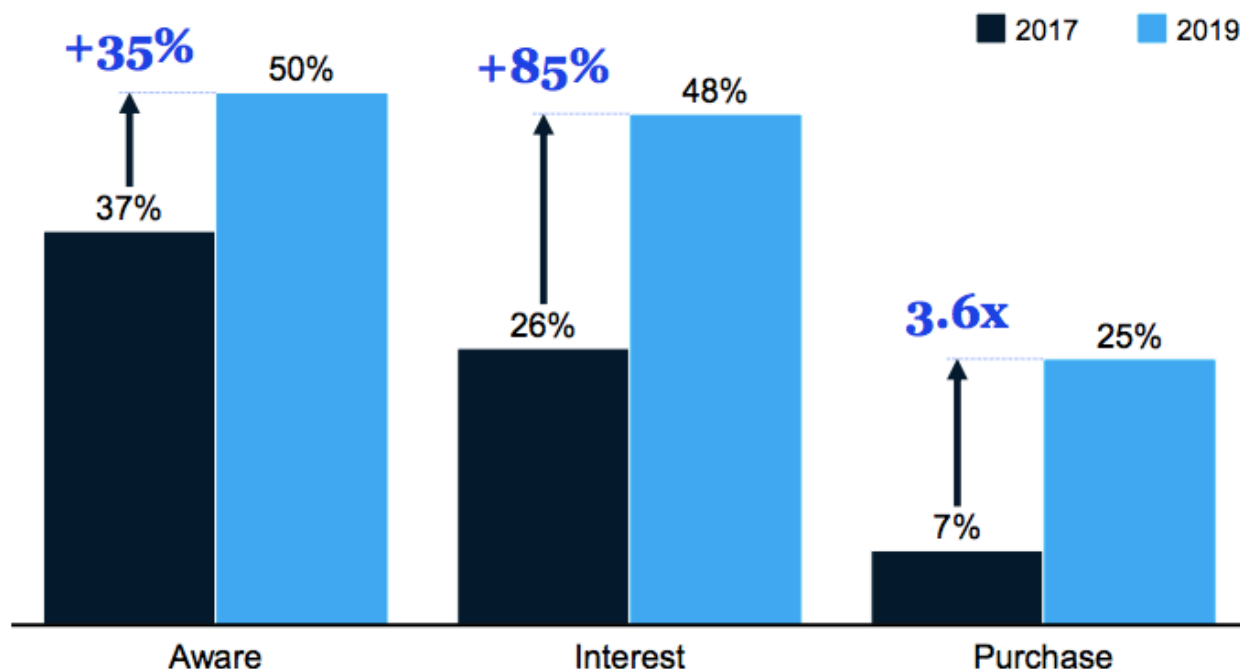


SOURCE: QuestMobile; McKinsey China Digital Consumer Trends 2019



Influence of social media and content on the consumer journey

% of online shoppers who use social platforms to gain awareness / evaluate / purchase



Social is most important for
apparel,
beauty, and
package food
categories for engagement

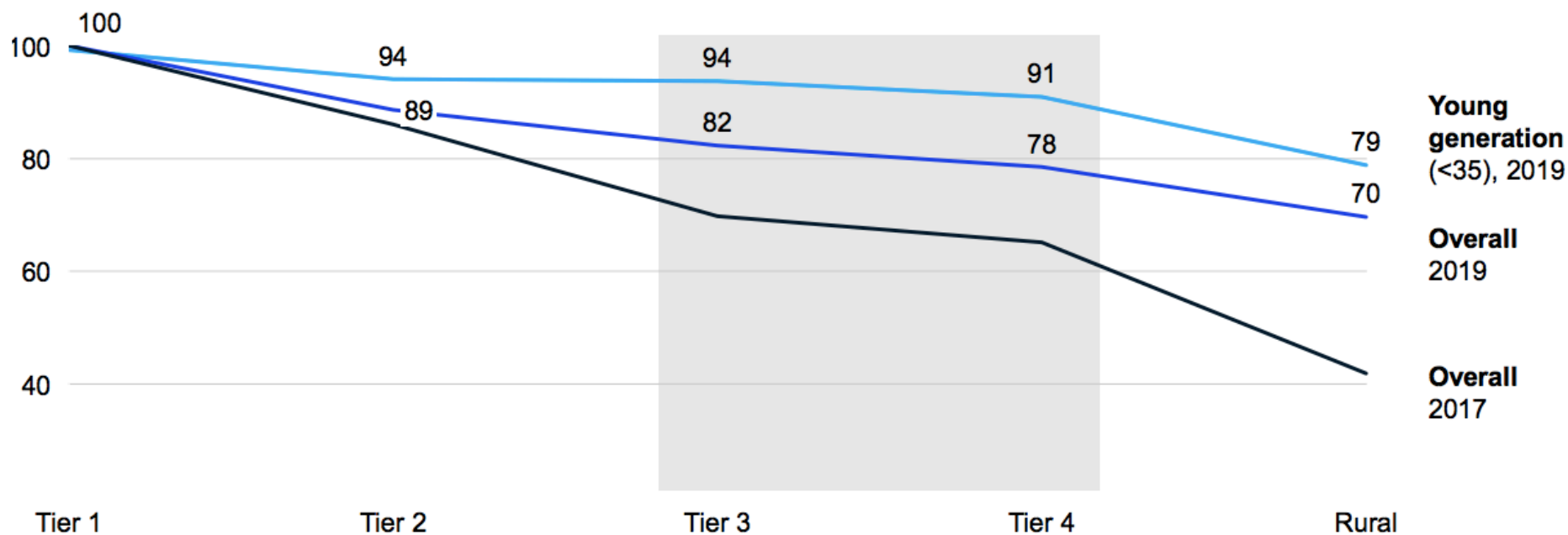
SOURCE: iConsumer 2017; McKinsey China Digital Consumer Trends 2019



Digital consumers' online shopping adoption by city tier

Normalized; Tier 1 overall indexed to 100

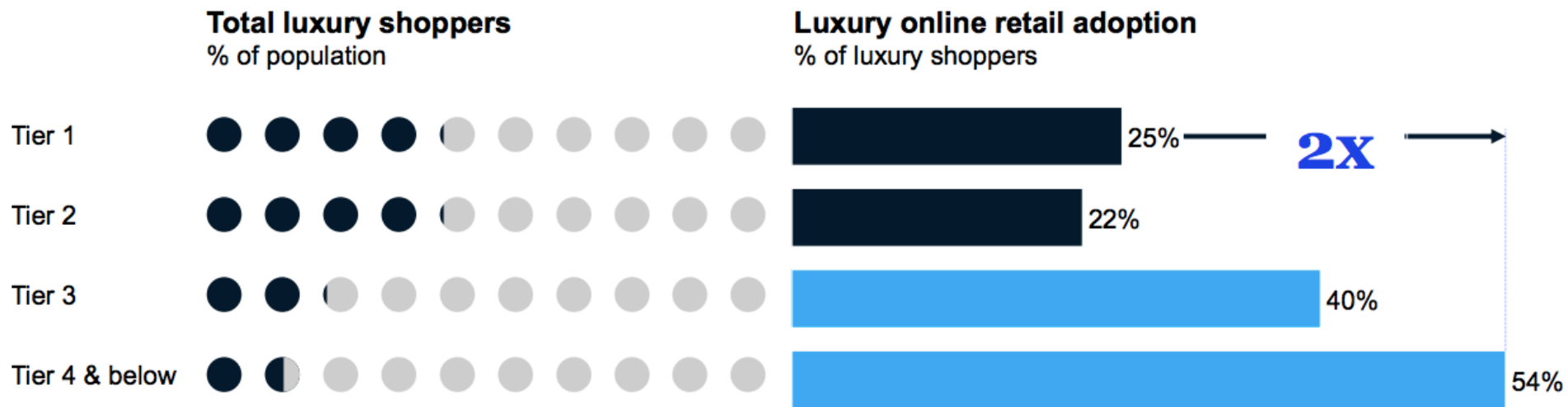
% of digital consumers who shopped online in the last 3 months



SOURCE: iConsumer 2017; McKinsey China Digital Consumer Trends 2019



Digital consumers' online trading-up behavior by city tier



SOURCE: iConsumer 2017; McKinsey China Digital Consumer Trends 2019

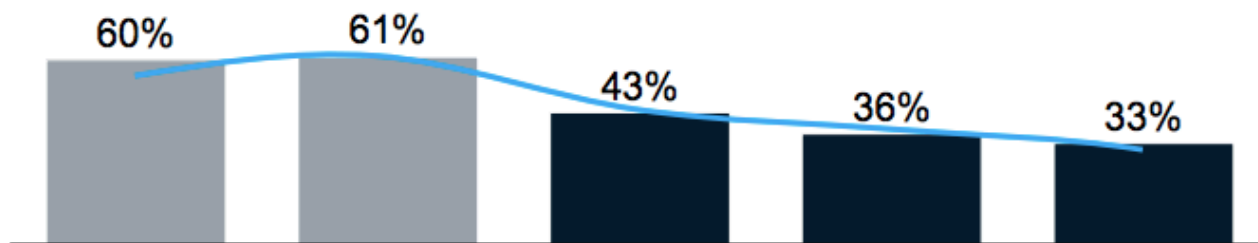


Top buying factors for Double 11

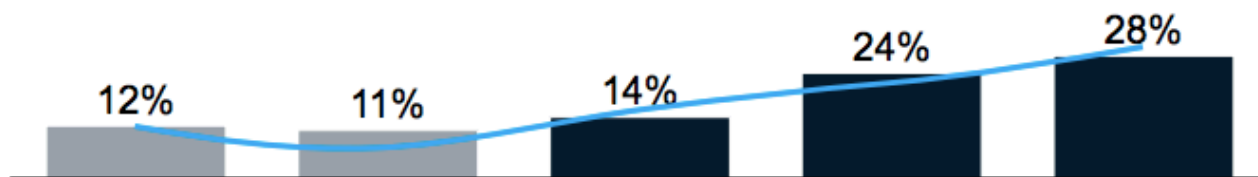
% of online shoppers across different categories



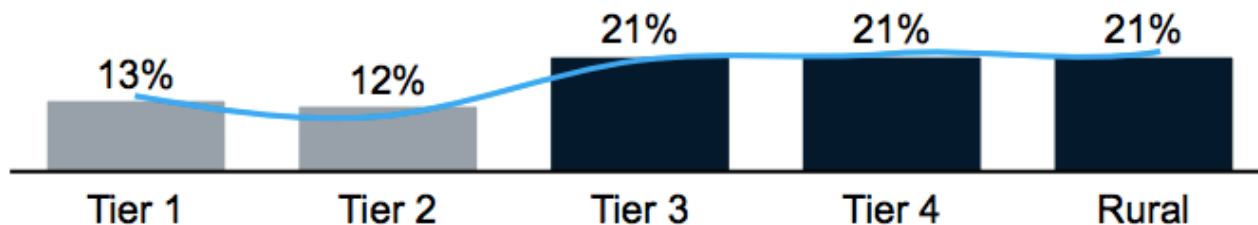
Price discount



Social engagement
(e.g. referral, KOL,
celebrity, gala show)



Exclusive product
(e.g. new release,
limited edition)





KOL/KOC's influence on digital consumers

Professionalism-driven categories

>50% of consumers rate "professional knowledge" critical for decision making



Imported
spirits



Mom
& baby



OTC
& nutrition



Home
decoration

Entertainment-driven categories

~55% of consumers gain awareness through entertainment-related content



Beauty &
personal care



Packaged
food

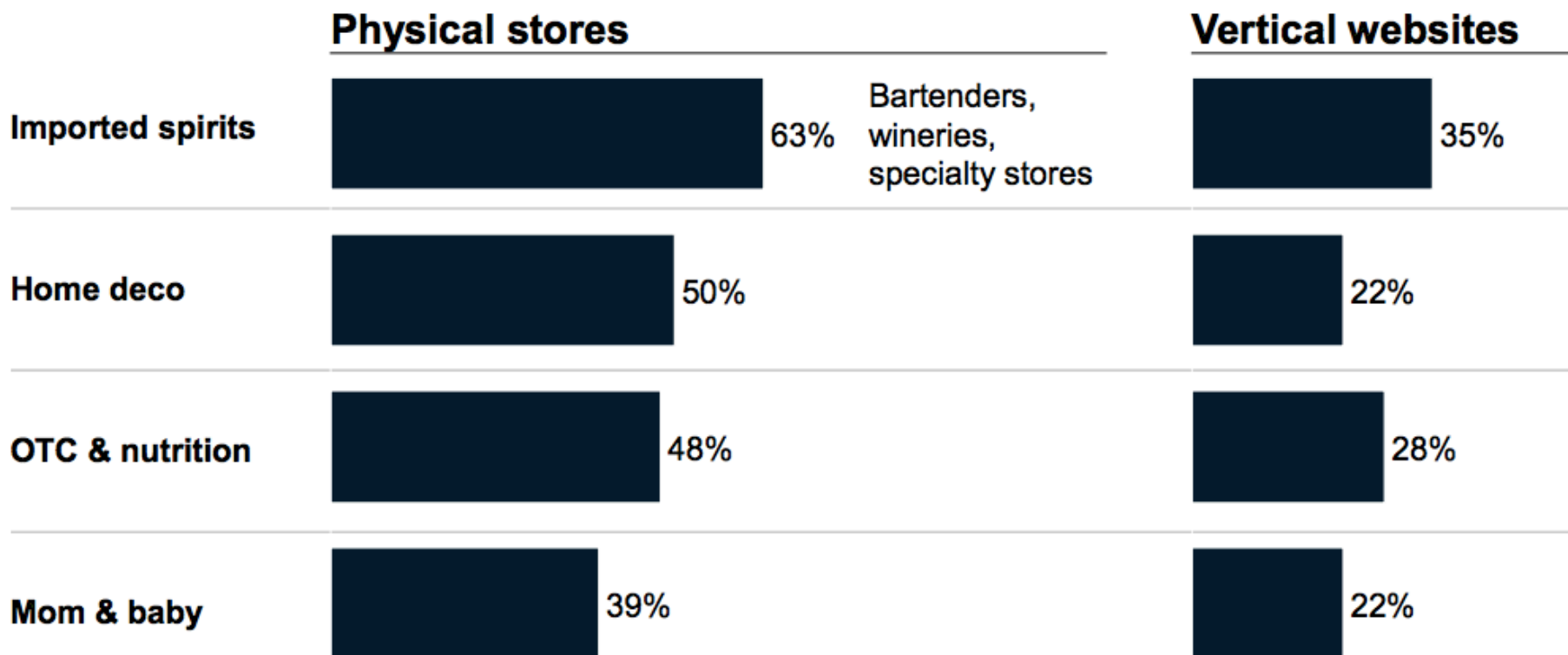


Apparel



Professional-driven categories: physical stores and vertical websites

% of digital shoppers gaining brand/product awareness through the channel



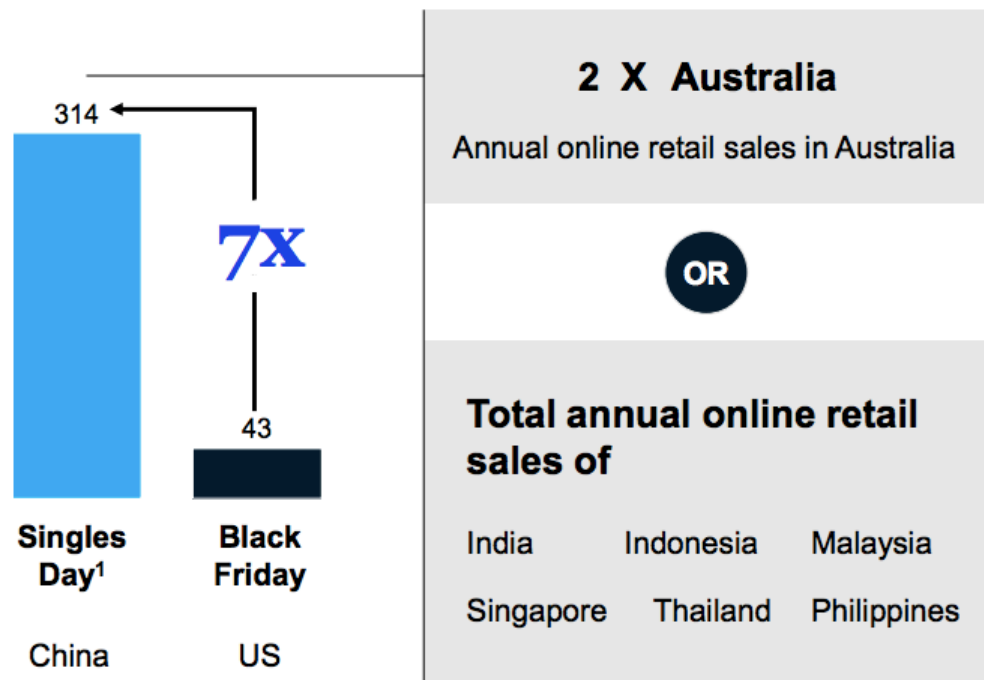
SOURCE: McKinsey 2019 McKinsey China Digital Consumer Trends 2019



Impact of promotional events

2018 "Double 11"

GMV, RMB billion



1. Total GMV for all platforms on "Double 11"

SOURCE: Alibaba Group, press search, eMarketer for other countries and regions; McKinsey China Digital Consumer Trends 2019

2019 "6/18"

JD.com	201.5 Bn	RMB GMV, +27% YoY
Tmall.com	13 Bn	Sales triggered by live streaming
Pinduoduo	70%	Orders from Tier 3 & below cities
Suning.com	+230%	GMV growth in rural markets



Impact of promotional events

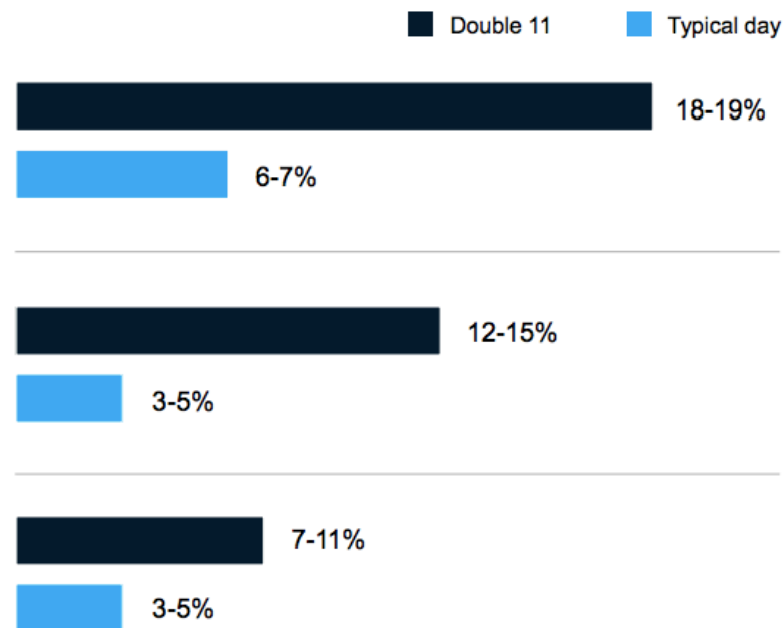
Discounts by top brands on “Double 11”

Small example

		Tmall.com	
Mom & baby	Avg: 33%	Balabala	45%
		GB	41%
		PurCotton	37%
Beauty & personal care	Avg: 30%	Chando	48%
		L’Oreal	31%
		Semir	51%
Apparel	Avg: 30%	GXG	38%
		Peacebird	33%

Sales of top 10 brands as % of category

sales on Double 11 vs. typical day

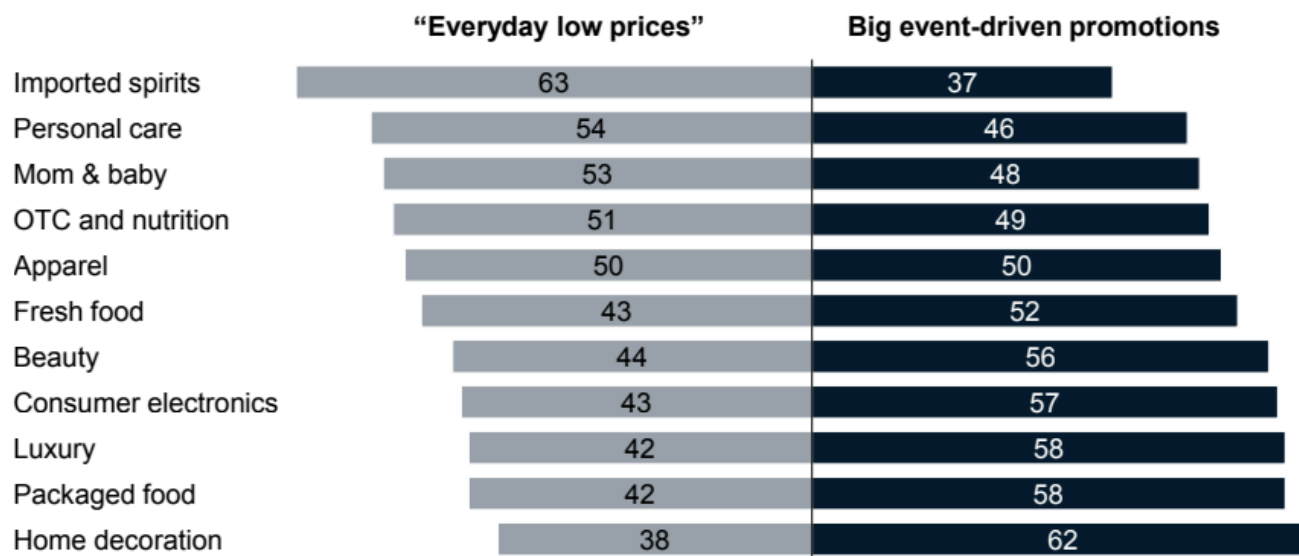


SOURCE: VENN Singles Day report, expert interview; McKinsey China Digital Consumer Trends 2019



Consumer preference for different pricing models by category

Percent of “Double 11” shoppers



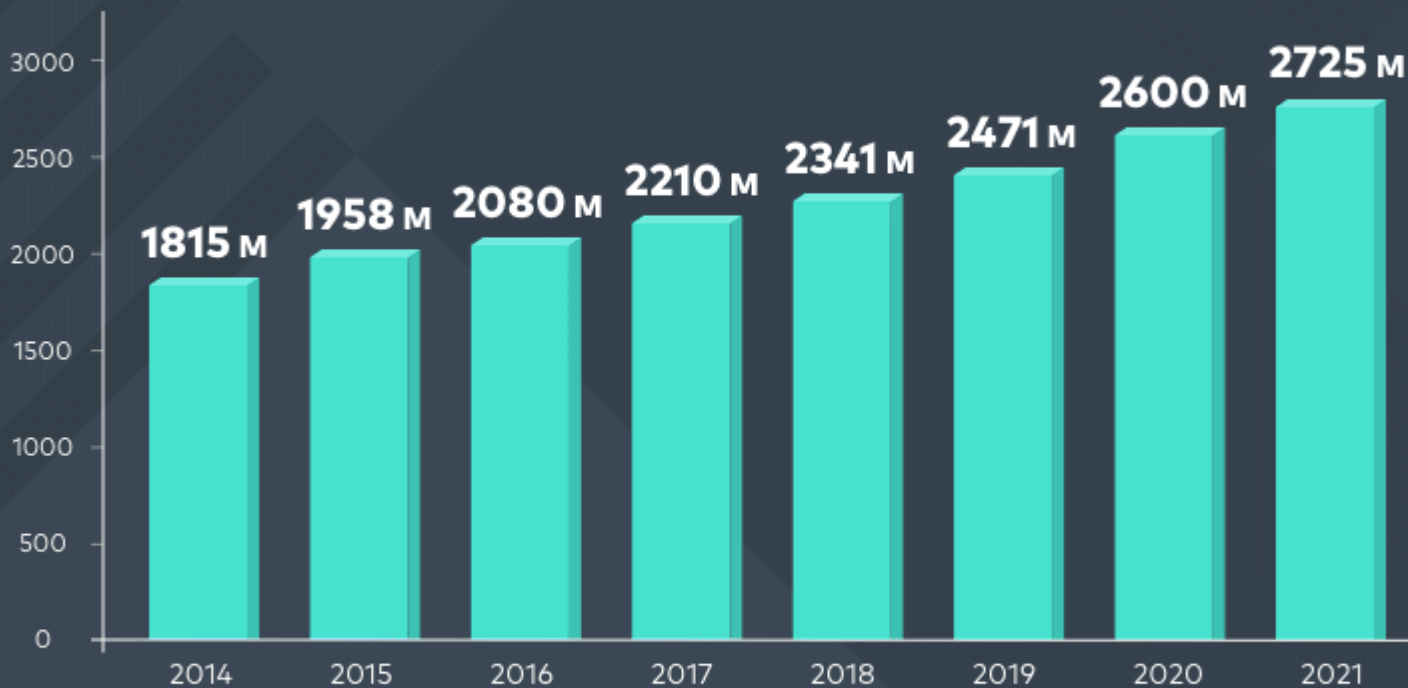
Consumers prefer **“everyday low prices”** for **high-frequency, replenishment-driven** categories

Consumers like **“big discounts”** for **low-frequency, large ticket, non-necessity** products

SOURCE: McKinsey China Digital Consumer Trends 2019



Number of Video Gamers World Wide

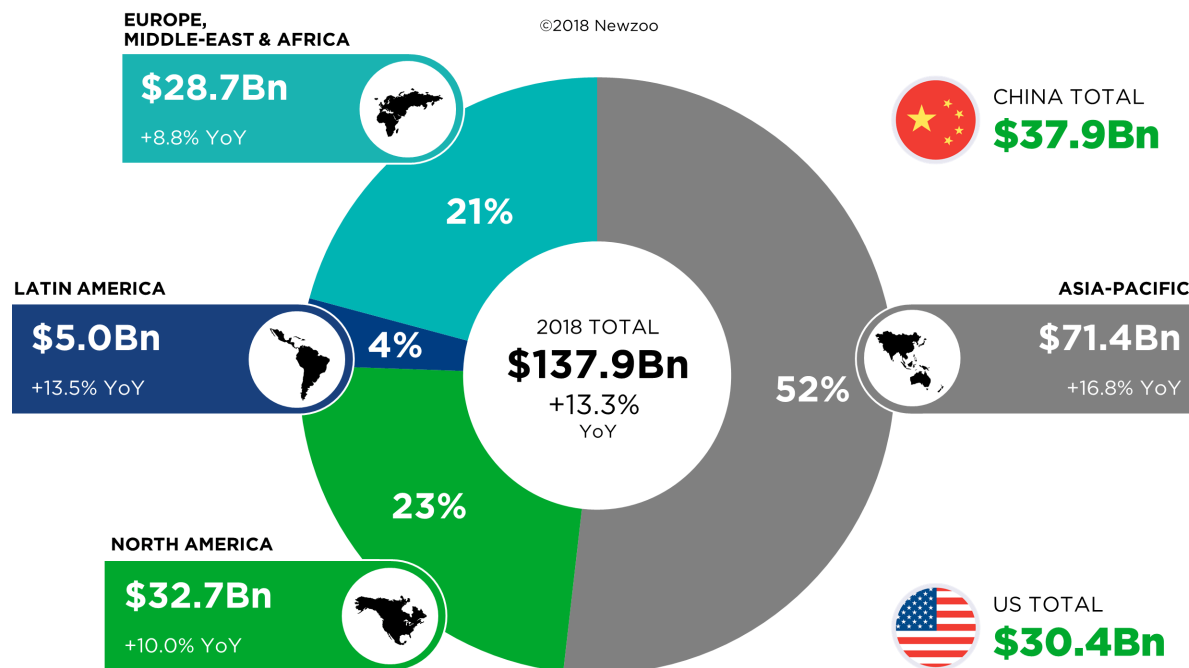


Worldwide, there are over 2 billion gamers, half of whom come from the Asia-Pacific region alone



2018 GLOBAL GAMES MARKET

PER REGION WITH YEAR-ON-YEAR GROWTH RATES



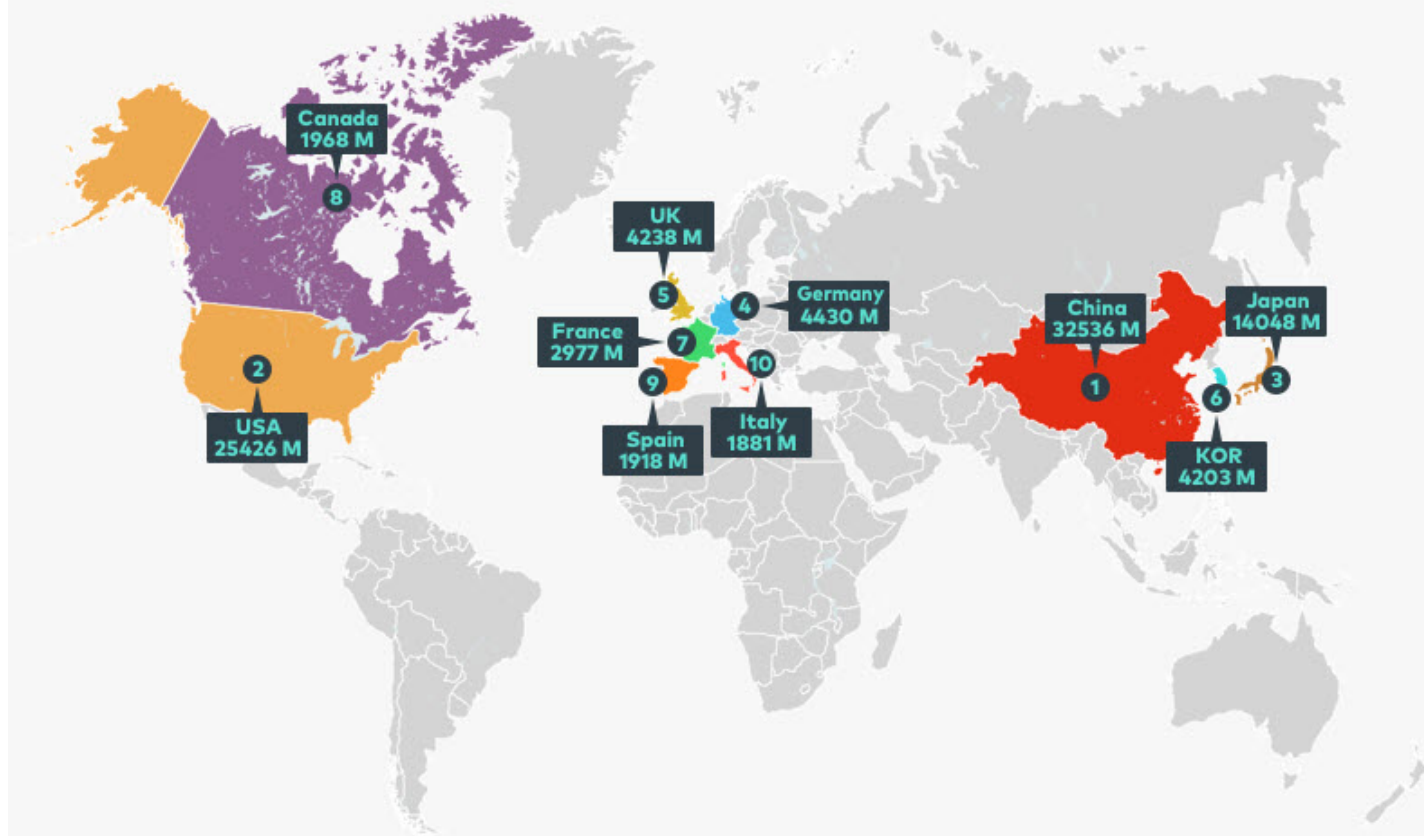
In 2018, almost

28%

of all consumer spend
on games will come
from China



Top 10 Countries by Game Revenues – China Is the Biggest Standout

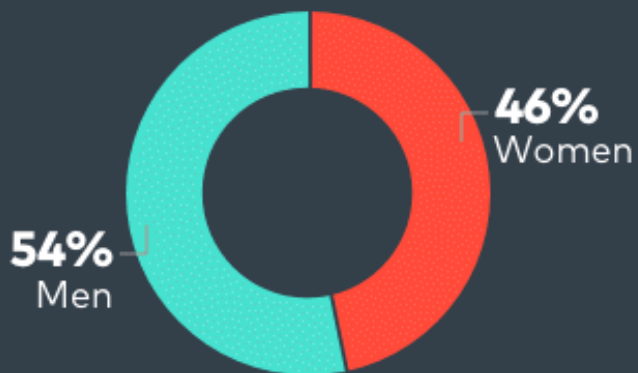


China generates one-quarter of game revenues worldwide



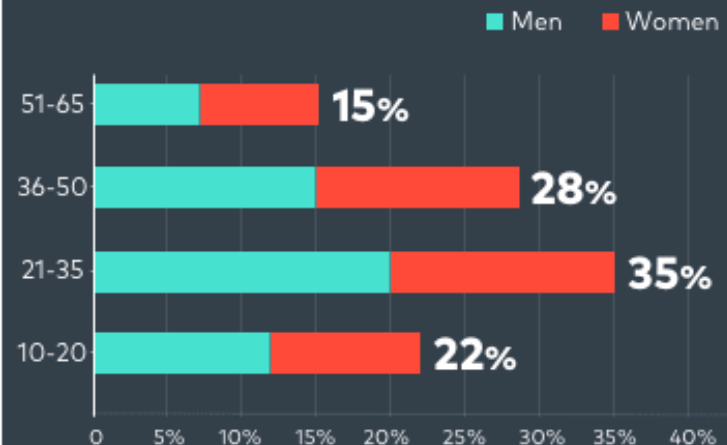
Who Is Playing

Game Players by Gender



Note: the data varies according to the game genre.




Game Players by Age



15% of global gamers were women between the ages of 21 and 35 years.



FAVORITE GENRES PER PLATFORM

	♂ Men	♀ Women
 Console	1 SHOOTER 38%	ACTION/ADVRNTURE 35%
	2 SPORTS 37%	STRATEGY 32%
	3 ACTION/ADVRNTURE 35%	ARCADE 26%
 PC	1 SHOOTER 41%	ACTION/ADVRNTURE 36%
	2 STRATEGY 40%	STRATEGY 35%
	3 ACTION/ADVRNTURE1 35%	SIMULATION 31%
 Moble	1 STRATEGY 35%	PUZZLE 48%
	2 SPORTS 24%	STRATEGY 32%
	3 SHOOTER 26%	ARCADE 25%



Cashless society

“Cash is no longer the King.”



Nearly all the food vendors in major cities provide mobile payment options.

南秀村

15-1



Now, if you ever get lost in Nanjing, just scan the QR code on a door plate and you can get more information about the address and a nearby police station.

You can even order meals by
scanning a QR code on a high-speed
train in China.







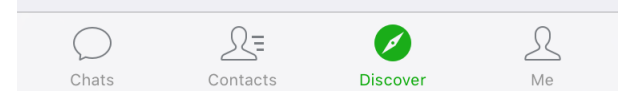
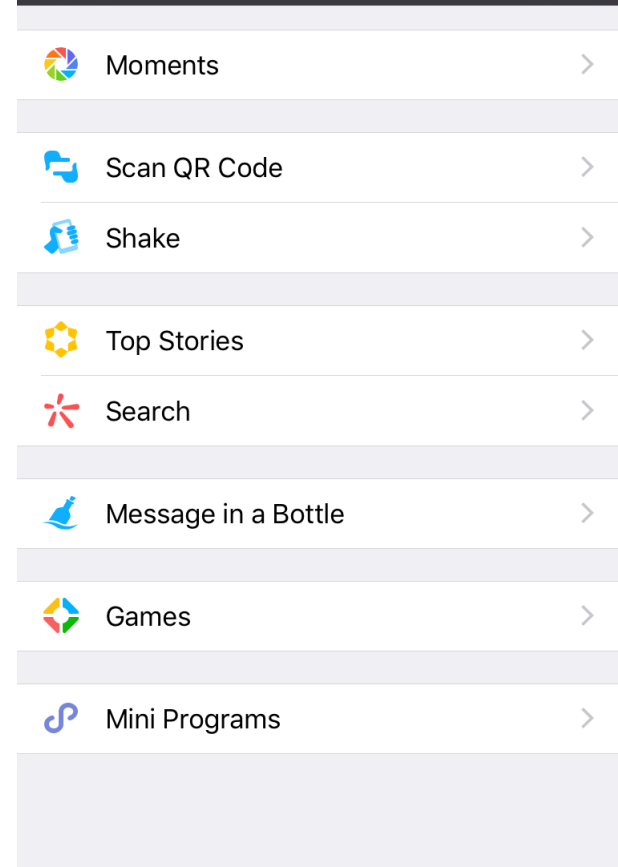
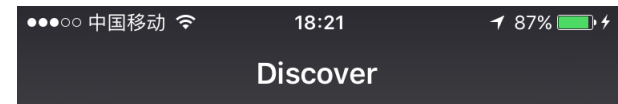
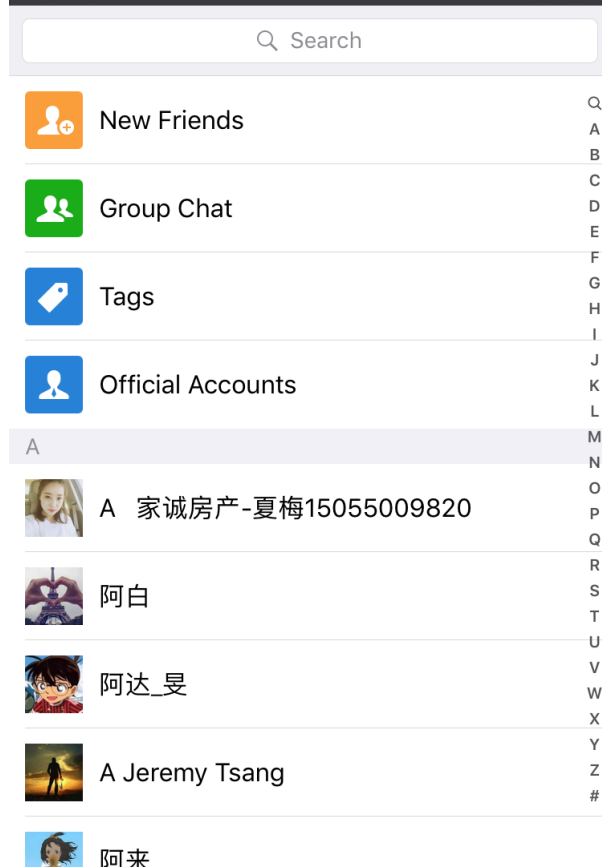
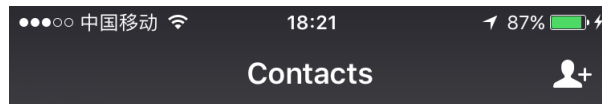
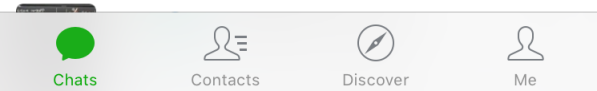
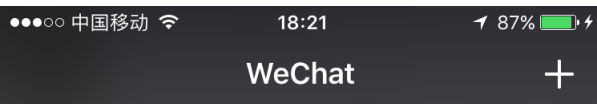


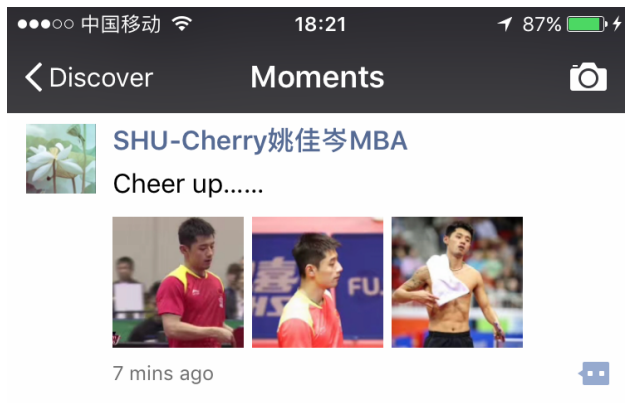
A village in northern China has designed a massive field of trees in the shape of a giant QR code in an effort to boost local tourism.



THE ALL-IN-ONE APP THAT CHANGES THE FACE OF CHINA



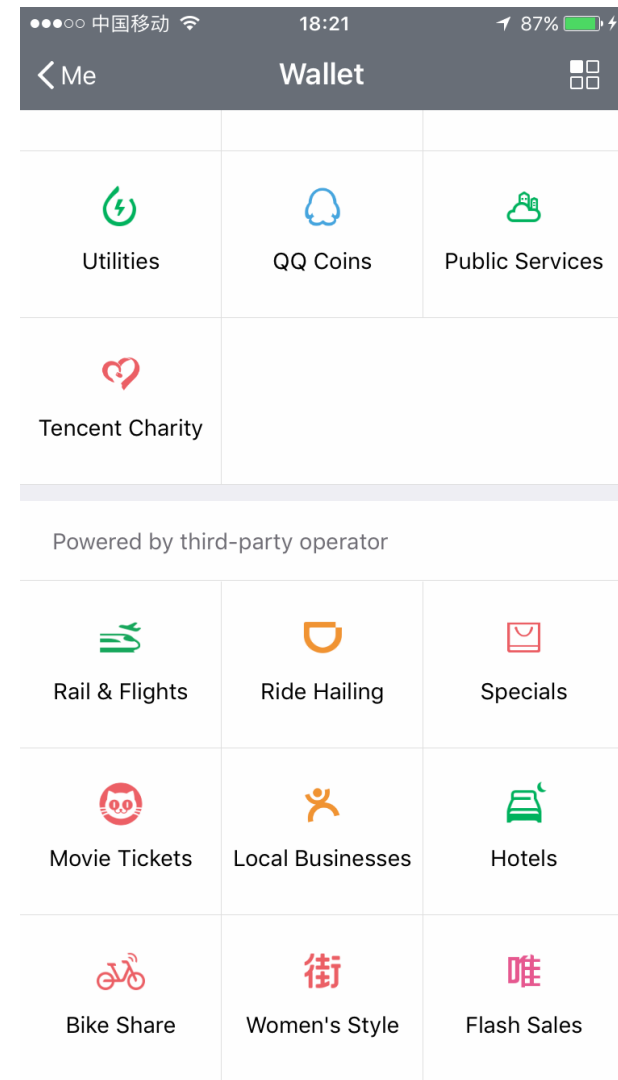
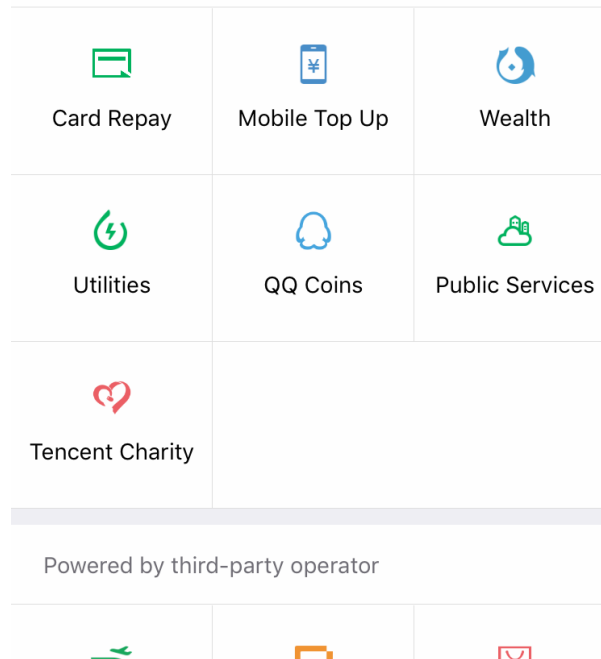
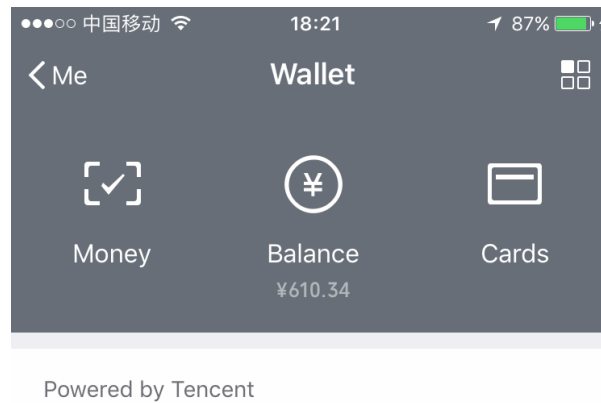




Laura

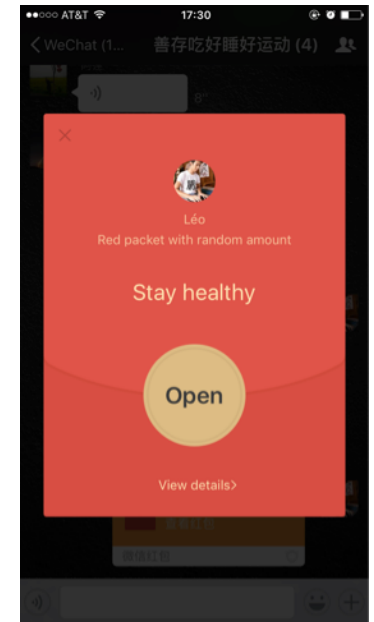
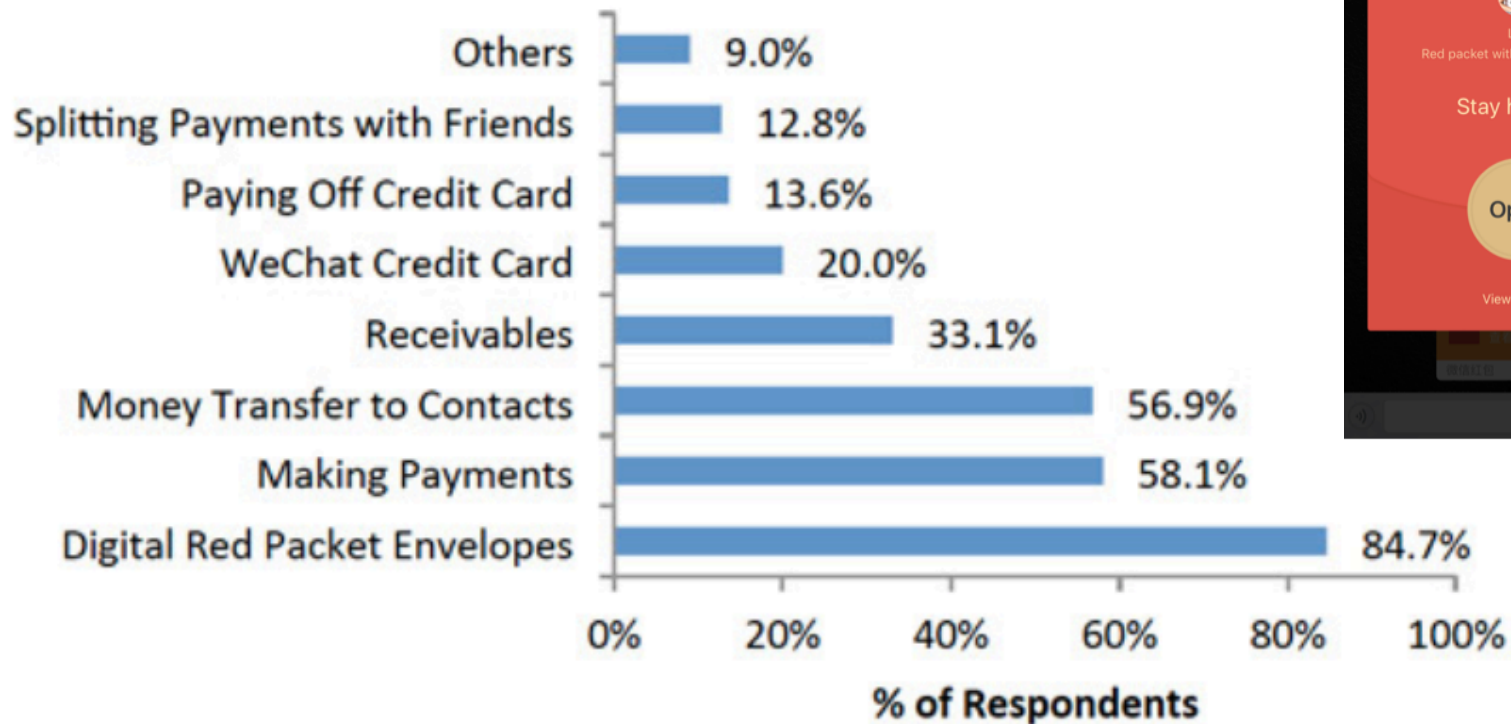
4. Erik Christensen who is a member of parliament present the insight stories about the Danish parliament - Christiansborg & impressive visit at the most popular design company - republic of Frits Hansen 在丹麦国家议会

[Full Text](#)





Wechat Pay Function Used by Wechat Users in China (2016)



Source: Tencent Penguin Intelligence and China Academy of Information and Communications Technology (CAICT)












https://www.youtube.com/watch?v=X_VLR7vU-8c



<https://www.youtube.com/watch?v=RFV8IkY52iY>

https://www.youtube.com/watch?v=2b2aX-t3c_g



WEST	CHINA
	Tencent 腾讯
	  Tencent is top shareholder of JD.com
	
	   Baidu owns iQiyi, Alibaba owns Youku, Tencent owns QQ video
	 Alibaba has 31.5% stake
	 滴滴一下 美好出行
	   Alibaba owns Ali music, Tencent owns QQ music, NetEase - China's fifth biggest internet company - owns NetEase Cloud Music
	   Baidu is top shareholder of Ctrip, JD.com is top 2 shareholder of tuniu.com, Alibaba owns Fliggy

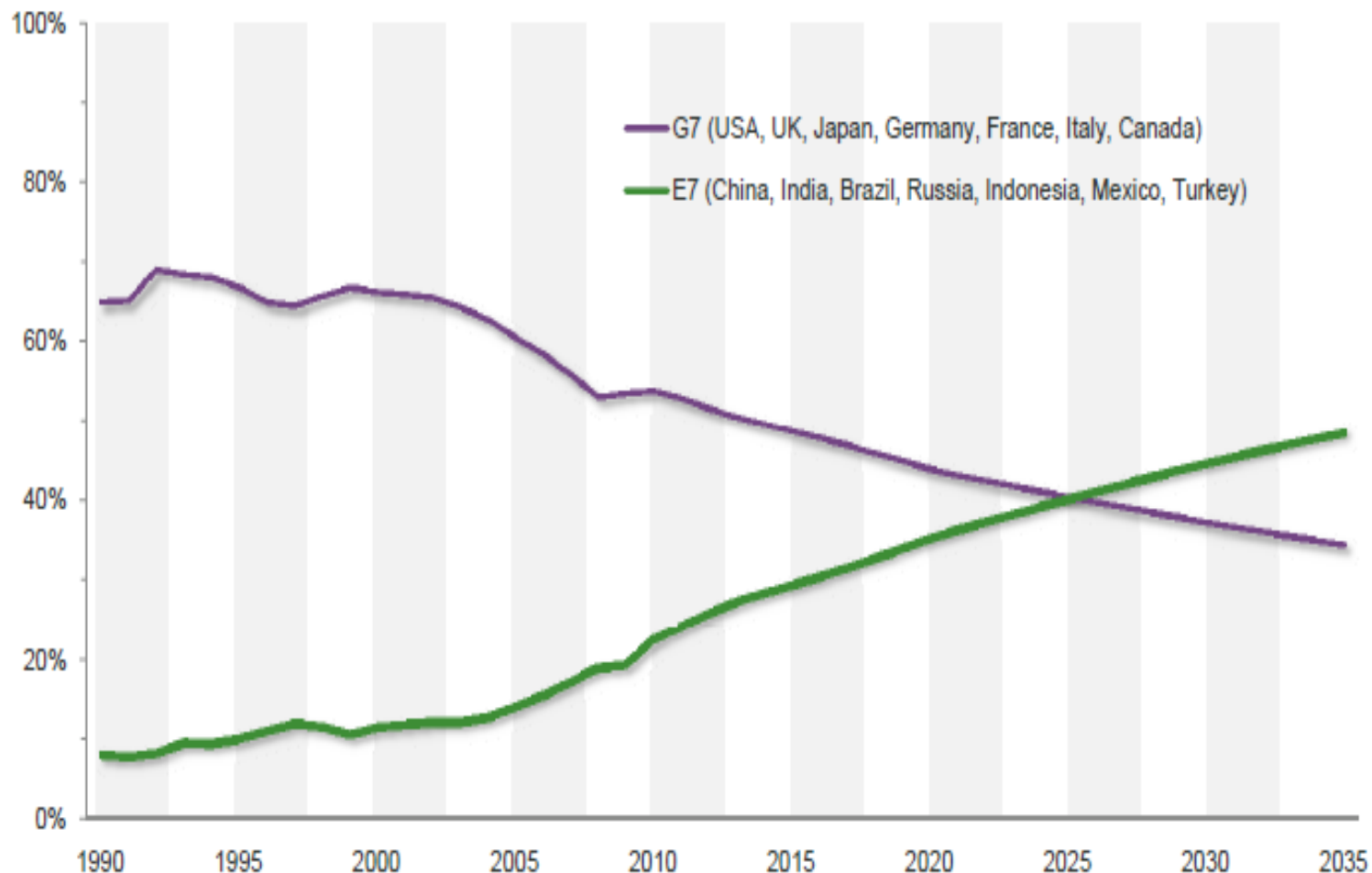




Chinese OFDIs and Firms' Internationalization Processes

Overview of Chinese OFDIs

Share of Global GDP The 21st Century is changing the balance of power

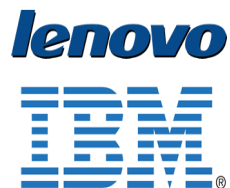




The China outbound landscape has changed:

China's vision for its companies to become global players was spelled out in 1999 with the "Go Global" policy - the State Council issued a regulation which granted export tax rebates, foreign exchange management assistance and financial support to overseas Chinese firms that used raw materials, components and parts, and machinery equipment made in China.

Chinese companies have been investing outside of China through greenfield projects and through M&A.



346 VS. 86



\$6.5 billion 25% share



\$5.4 billion



\$8.6 billion

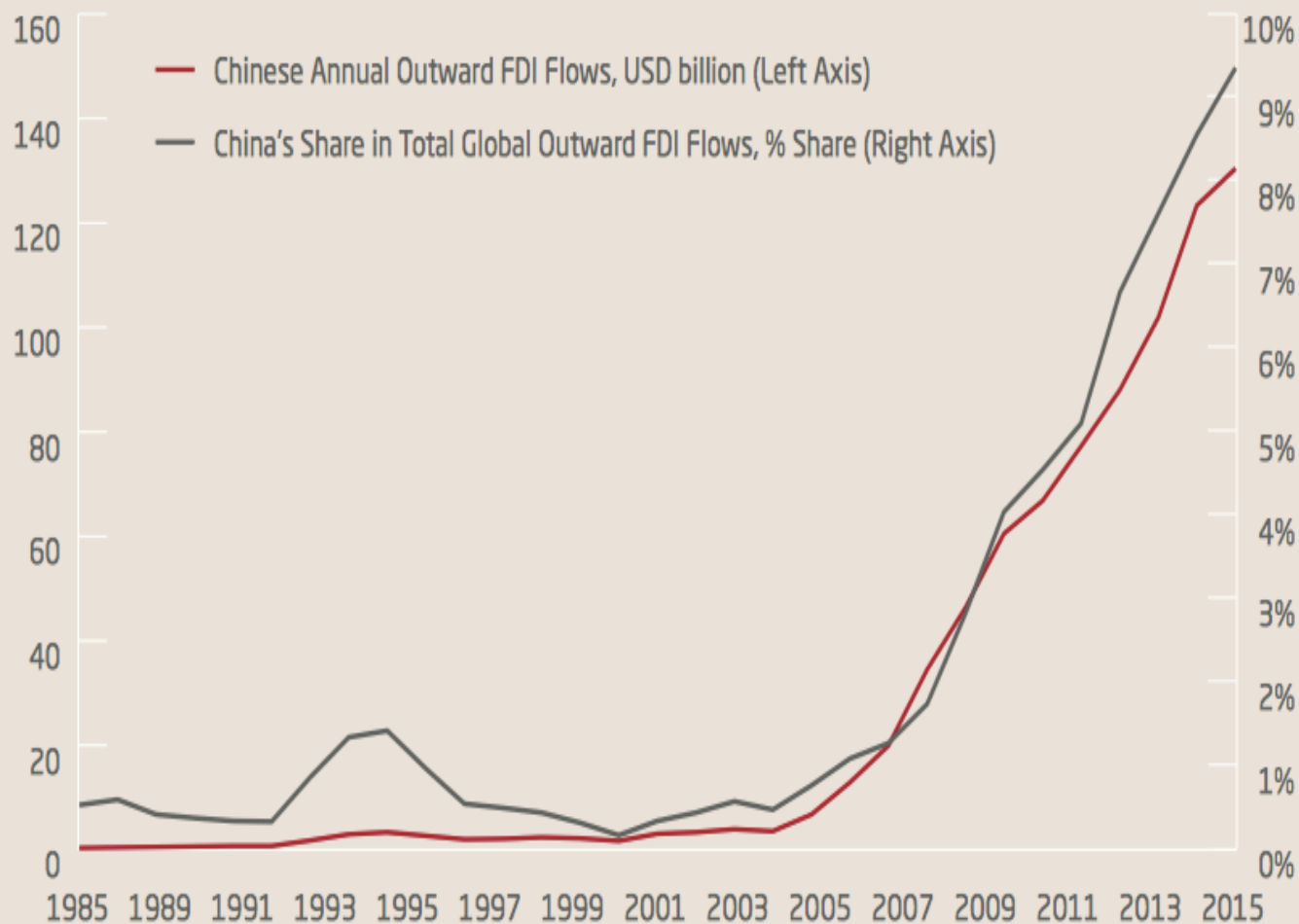


Figure 1:

China's Global Outward FDI Boom Continues

USD billion; Percent

The value of foreign deals made by mainland Chinese companies abroad is higher than last year's figures: At US\$63.0 billion in the first half of 2018, it was 45.5% higher than for H1 2017.

Source: Ministry of Commerce (MOFCOM),
United Nations Conference on Trade and Investment (UNCTAD), authors' calculations.

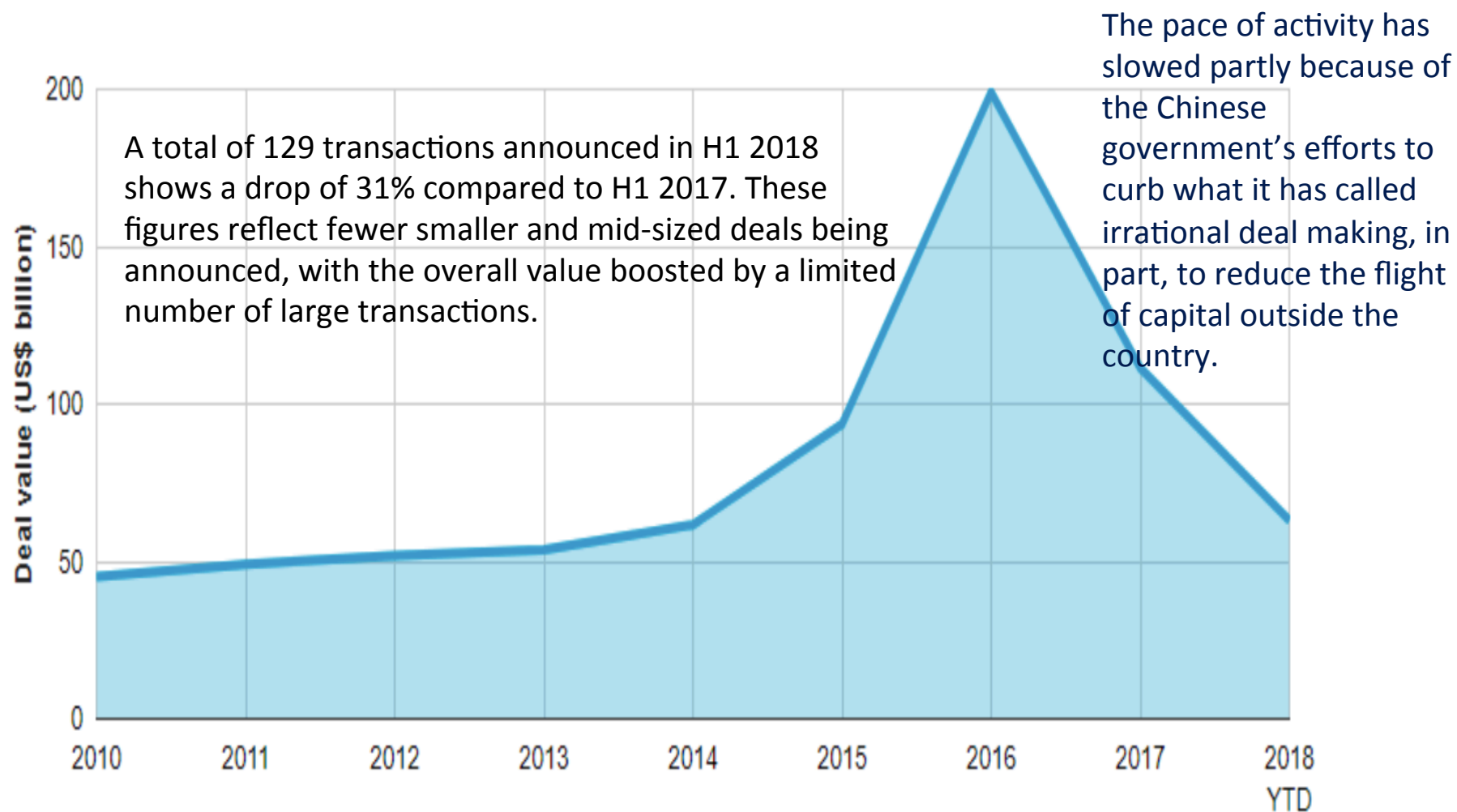


M&A activity by value 2010 – 2018 [YTD] (excluding domestic deals)

Target location: Global

Bidder location: China

Sectors: All Sectors



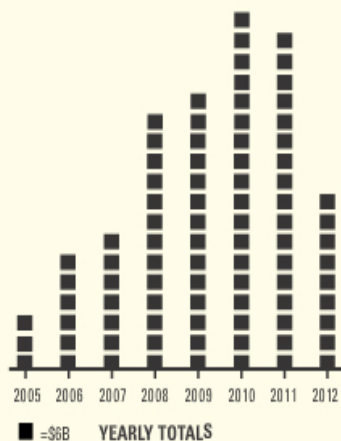


CHINA'S GLOBAL REACH

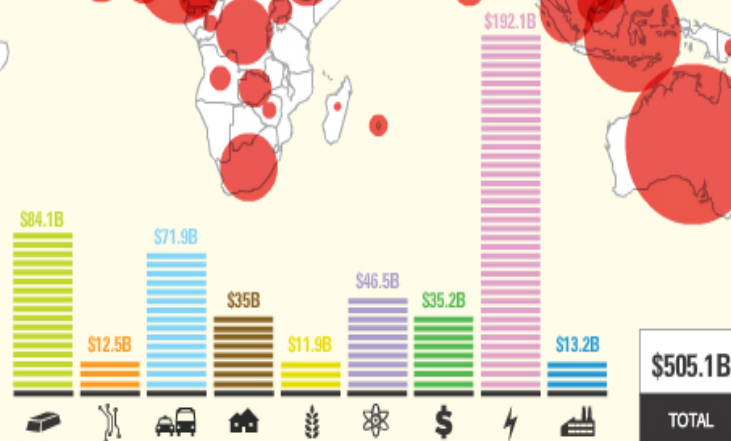
Rollover countries and click on sectors to explore the Heritage Foundation's China Global Investment Tracker data. You can see where and what China is investing in, and how the trends are changing.

DOWNLOAD THE DATA SET

WORLDWIDE



CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

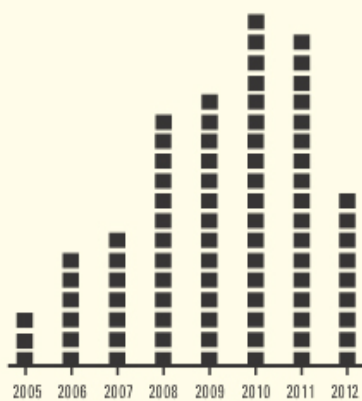


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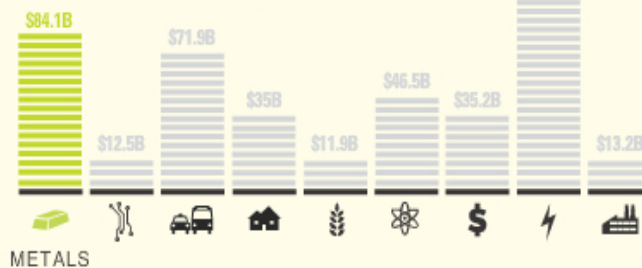
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WORLDWIDE



■ = \$6B YEARLY TOTALS

CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

\$505.1B

TOTAL

RESET

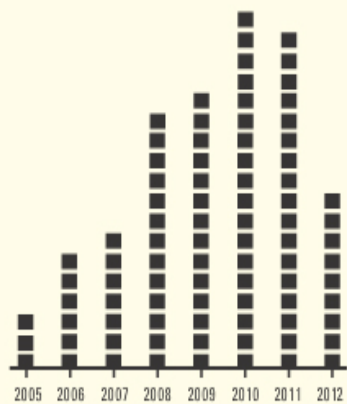


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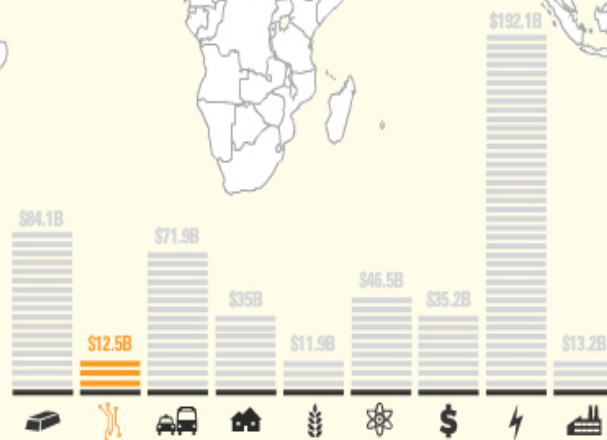
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■ = \$B YEARLY TOTALS

CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



TECHNOLOGY

CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

\$505.1B

TOTAL

RESET



CHINA'S GLOBAL REACH

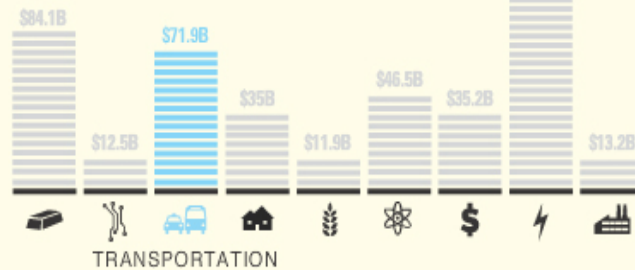
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CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

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TOTAL

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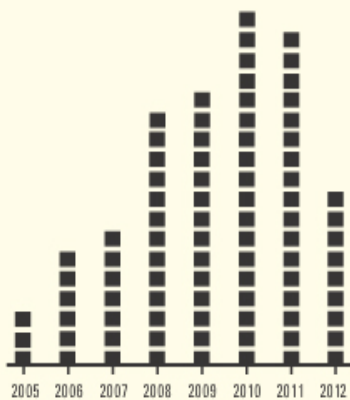


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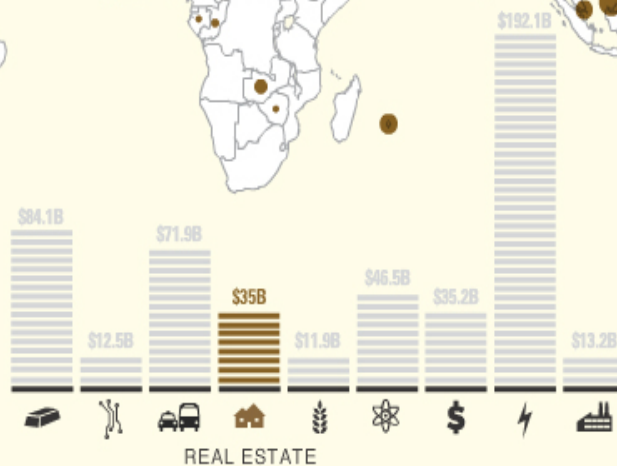
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CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

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RESET

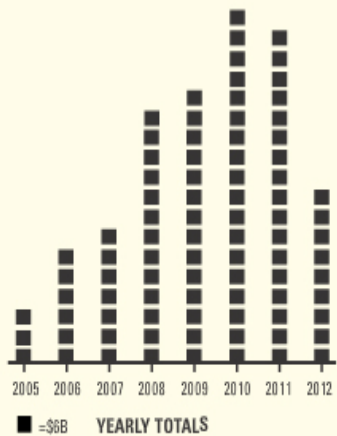


CHINA'S GLOBAL REACH

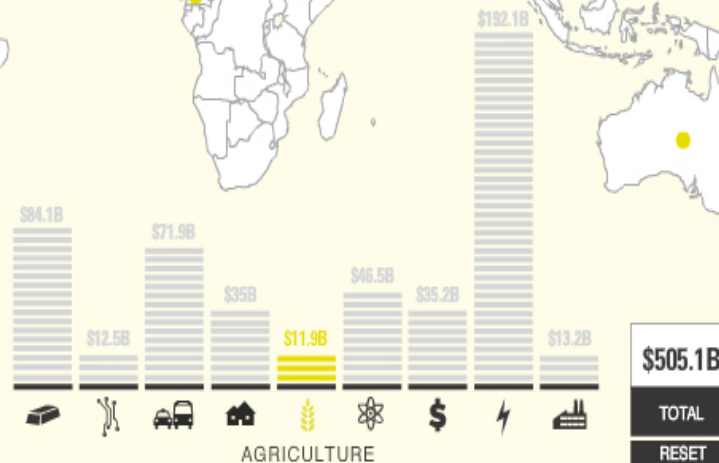
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CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

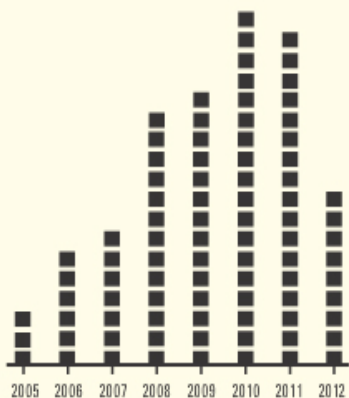


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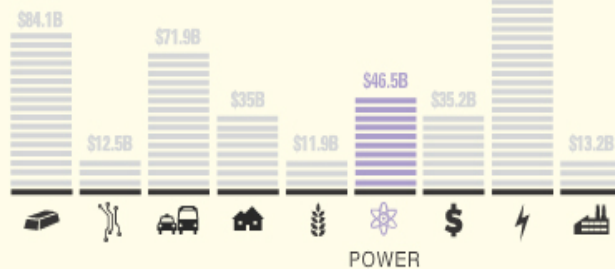
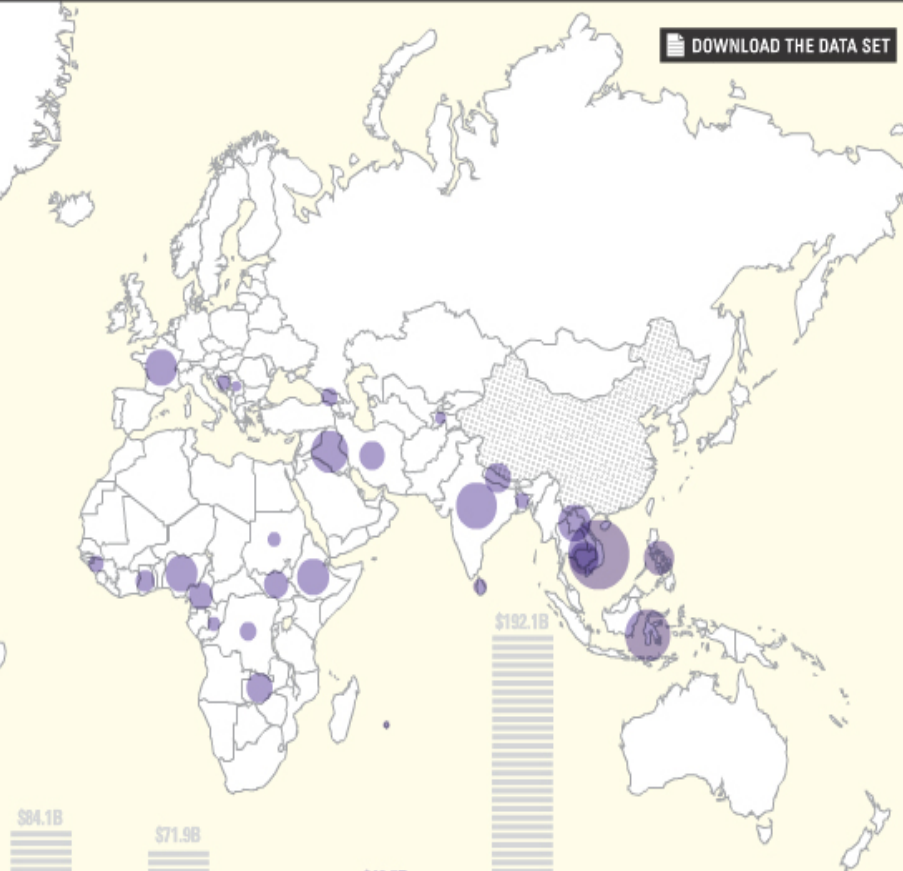
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■ = \$6B

YEARLY TOTALS

CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



\$505.1B

TOTAL

RESET

CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

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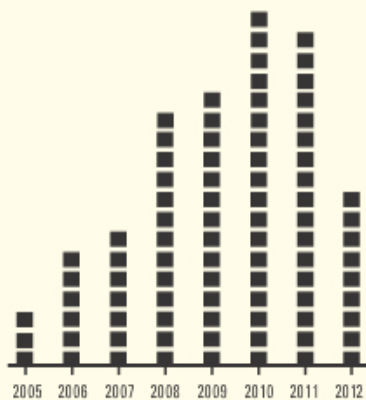


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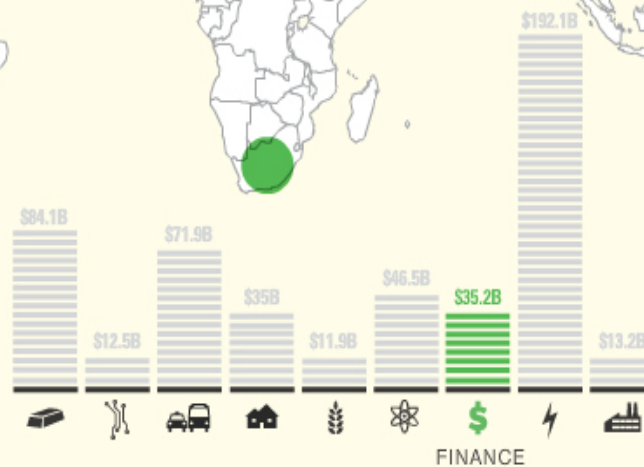
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■ ~\$B YEARLY TOTALS

CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT



CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

\$505.1B

TOTAL

RESET



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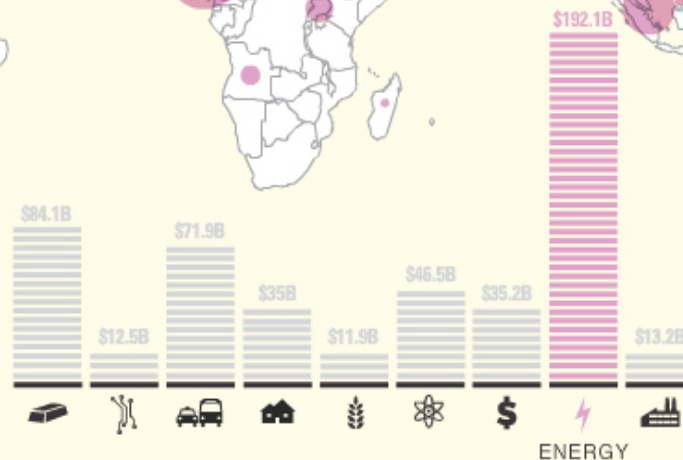
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CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •

\$505.1B

TOTAL

RESET

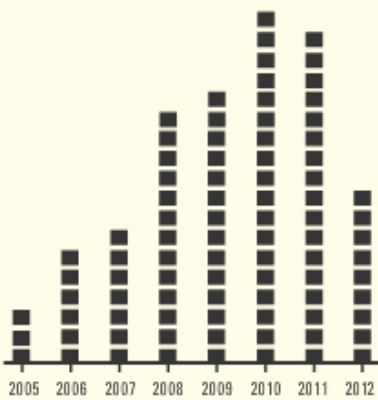


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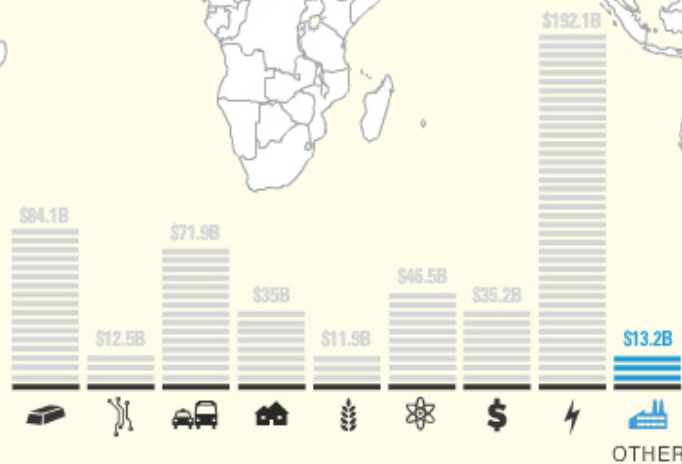
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YEARLY TOTALS

CIRCLE SIZE REPRESENTS
TOTAL INVESTMENT

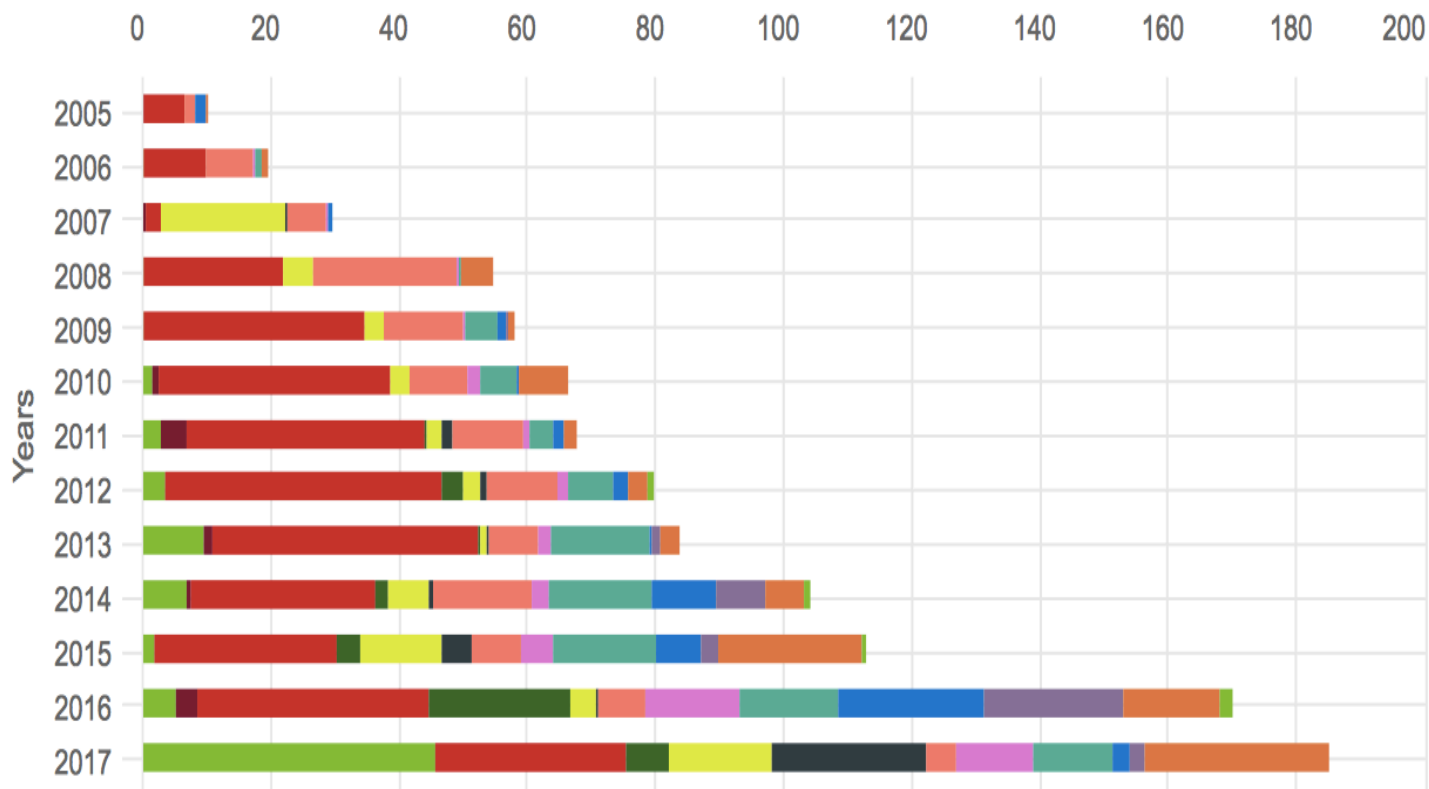


CHINA'S WORLDWIDE INVESTMENTS AND CONTRACTS

• CLICK ON A SECTOR •



Total in \$ Billions



(Click to hide)

Agriculture
Finance
Real Estate
Utilities

Chemicals
Logistics
Technology

Energy
Metals
Tourism

Entertainment
Other
Transport



China FDI Top Destinations in Latin America and the Caribbean (2005 - 2017)

Country	Volume in \$ billions	Global Ranking	Economic Development Level
Brazil	54.56	5	Upper middle-income
Peru	19.95	12	Upper middle-income
Argentina	11.14	19	Upper middle-income
Ecuador	7.72	29	Upper middle-income
Venezuela	4.37	47	Upper middle-income

- Over the past seven years, investment outflows have totaled \$72.5 billion.
- In terms of M&A completed in 2017, China was the biggest investor in LAC with deals totaling \$18 billion (42 percent of the total).
- Chinese companies are also now exploring sectors other than resource extraction (Auto).
- Over 61 percent of all construction contracts in Latin America and the Caribbean since 2010 have been in the energy sector.
- Argentina, Venezuela, and Ecuador received the highest value construction contracts from 2005 to 2017, taking in \$16.79 billion, \$16.37 billion, and \$6.64 billion respectively.



China FDI Top Destinations in Africa (2005 - 2017)

Country	Volume in \$ billions	Global Ranking	Economic Development Level
DRC	11.74	16	Lower middle-income
South Africa	10.83	20	Upper middle-income
Nigeria	7.64	30	Low-income
Egypt	5.39	38	Lower middle-income
Niger	5.18	39	Low-income

- During this 12-year span, Western Africa received 28.6 percent of Chinese investment in the continent, followed by Middle Africa with 25.3 percent.
- China held the 4th largest FDI stock in Africa in 2016 at \$40 billion.
- With China projected to account for 25 percent of global energy consumption by 2035, the investment in Africa is unsurprisingly motivated by resource extraction.
- In 2016, China was the largest investor in Africa, making up 39 percent of global investment inflows.
- China's investment in Africa has grown dramatically in comparison to other investing countries.
- China invested a total of \$45.1



China FDI Top Destinations in Asia and Oceania (2005 - 2017)

Country	Volume in \$ billions	Global Ranking	Economic Development Level
Australia	90.95	2	High income OECD member
Singapore	30.84	8	High income
Kazakhstan	18.35	13	Upper middle-income
Malaysia	17.28	14	Upper middle-income
Indonesia	13.33	15	Lower middle-income

- Over the last decade, roughly 31 percent of Chinese FDI in Asia and Oceania flowed into Australia.
- Chinese investment in Asia and Oceania has risen steadily from \$5.68 billion in 2005 to \$38.01 billion in 2017.
- Energy investments constitute significant portions of outbound Chinese FDI for Southeast Asia (38.4 percent), Western Asia (60.4 percent), Central Asia (93.8 percent), and Southern Asia (47.3 percent).
- Chinese capital has gradually diversified into sectors such as transportation, real estate, technology and tourism.
- China's construction contracts in Asia have grown substantially since 2005, totaling nearly \$350 billion through 2017.



China FDI Top Destinations in North America and Europe (2005 - 2017)

Country	Volume in \$ billions	Global Ranking	Economic Development Level
United States	171.04	1	High income OECD member
United Kingdom	72.39	3	High income OECD member
Switzerland	60.01	4	High income OECD member
Canada	49.42	6	Upper middle-income
Russia	38.15	7	High income OECD member

- The US is the largest destination for Chinese FDI in the world, drawing in \$171.04 billion or 16.4 percent of all Chinese investment since 2005.
- Europe and North America (excluding Mexico) have become major destinations for Chinese foreign direct investment, receiving 52.1 percent (\$544.5 billion) of China's total global FDI outflows from 2005 to 2017.
- The energy sector in the US and Canada attracts a considerable amount of investment from China.
- China has expanded its investment focus from resources and raw materials to strategic acquisitions intended to increase the market competitiveness of Chinese products and companies.

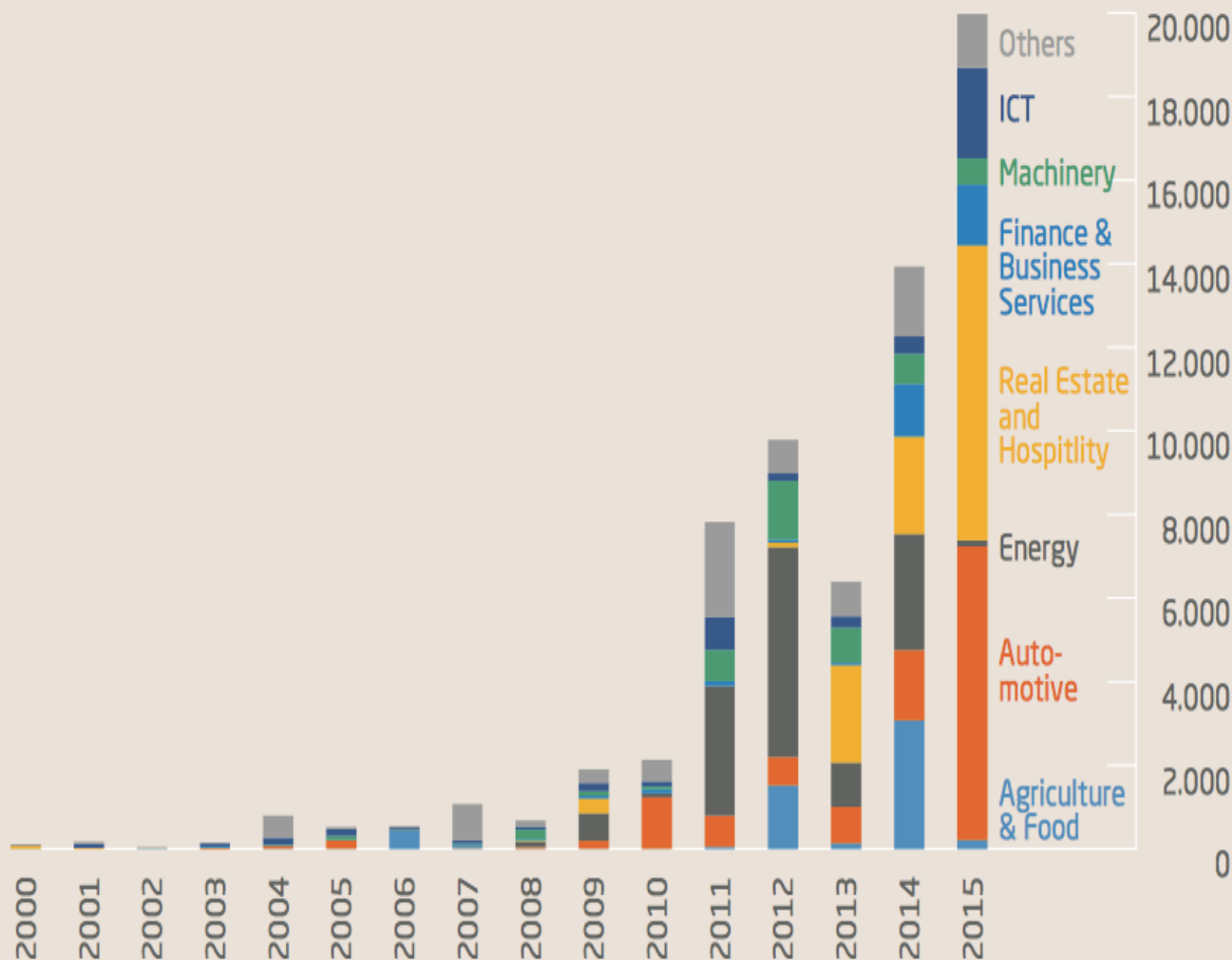


Figure 3:
Chinese Investors are Targeting a more Diverse mix of Sectors in Europe

Distribution of Chinese OFDI in the EU-28 by industry 2000-2015

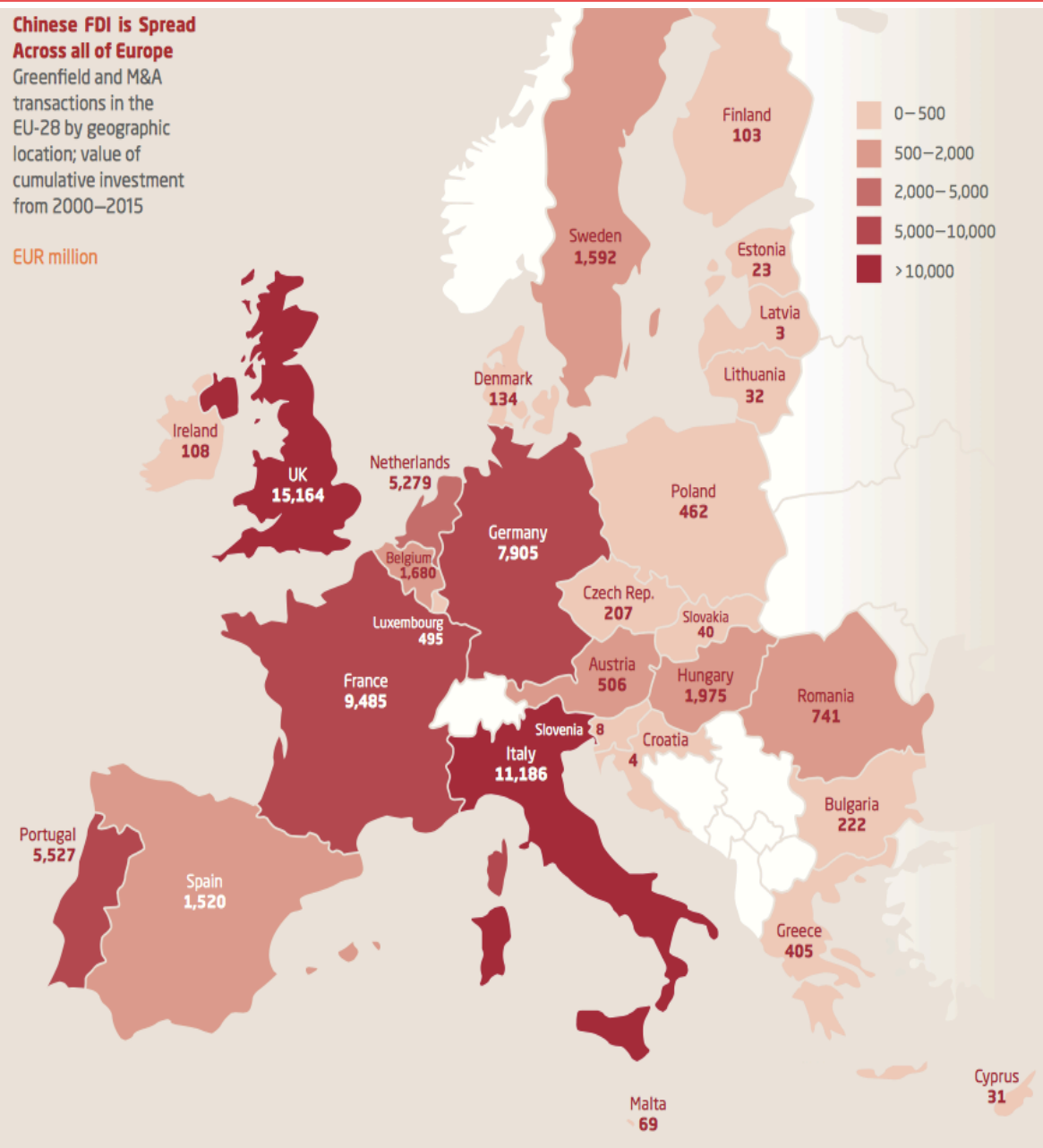
EUR million



Chinese FDI is Spread Across all of Europe

Greenfield and M&A
transactions in the
EU-28 by geographic
location; value of
cumulative investment
from 2000–2015

EUR million

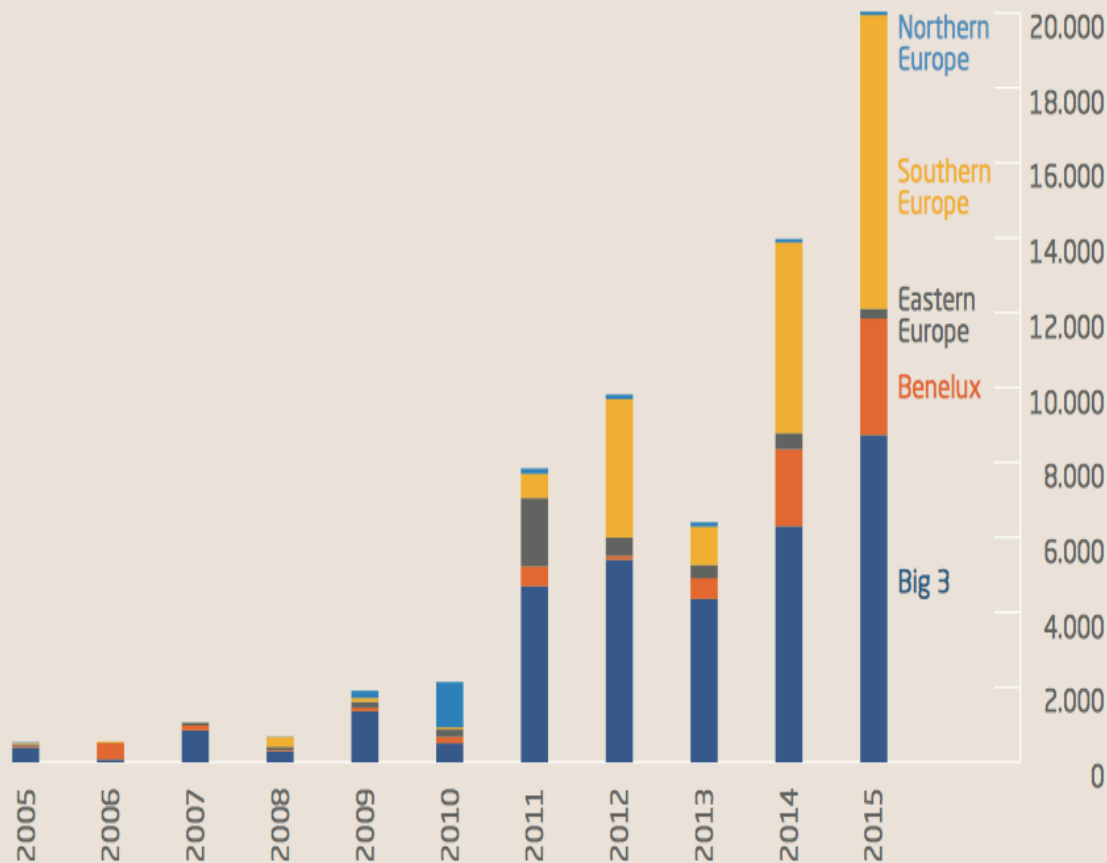


- The energy sector received 26.4 percent (\$76.62 billion) of China's European investments from 2005 to 2017, but falling commodity prices and political insecurity in Europe resulted in considerable year-on-year fluctuations over this period. Large agreements such as the Sino-Russian \$400 million Gazprom deal in 2014.
- Diversification of Chinese investment is especially evident in countries facing economic difficulties that have opted to open up previously state-controlled industries. Chinese firms have invested significant capital into Eastern European countries such as Hungary, focusing on the chemicals and technology industries. Wanhua Industrial Group, a subsidiary of



Figure 6:
**Southern Europe now
Receives a Significant
Share of Chinese FDI**
Chinese OFDI in the
EU-28 by country group
2000-2015

EUR million



Source: Rhodium Group.

The "Big 3" includes France, Germany, and the UK.

"Benelux" includes Belgium, Netherlands, and Luxembourg.

"Eastern Europe" includes Austria, Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia.

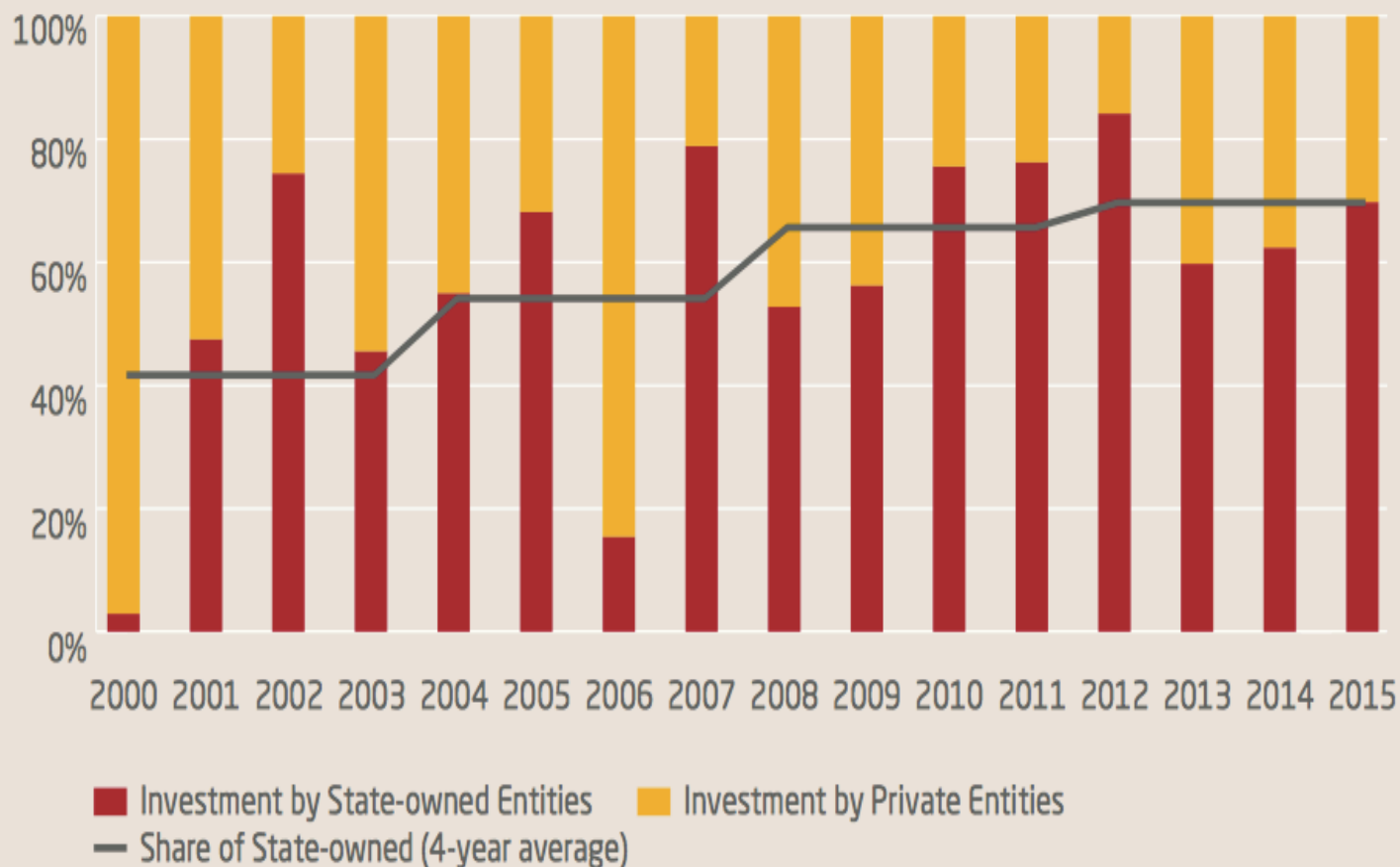
"Southern Europe" includes Croatia, Cyprus, Greece, Italy, Malta, Portugal, Slovenia, and Spain.

"Northern Europe" includes Estonia, Denmark, Finland, Ireland, Latvia, Lithuania, and Sweden.



Figure 4:
State-owned
Investors still Account
for the Majority of
Chinese FDI in Europe
Share of Chinese OFDI in
the EU-28 by investor
type 2000-2015

Percent share



Source: Rhodium Group. State-owned entities refer to companies that are at least 20% owned by the government, sovereign entities, and central SOE's; private entities refer to companies with less than 20% ownership by the government, sovereign entities, and central SOE's.



Opportunities for Latvia

Strategic Assets

Airport, harbor, railway, highway, other logistics, etc. (OBOR Initiative)

China Goes Green

Renewable energy, new materials, sustainable innovations, water & air, food supplies, etc.

New/Core Tech

AI/big data, IoT, 5G/6G, robotic tech, etc.

Life-style

Edutainment, lifestyle tourism, etc.

Investment

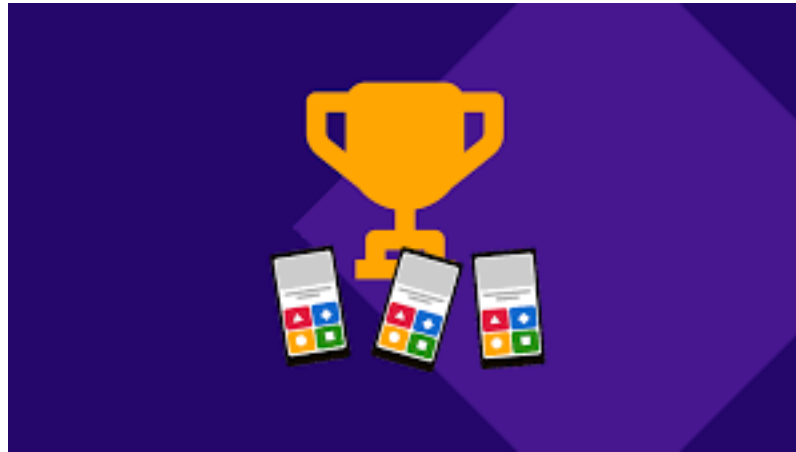
Angles, VCs, etc.

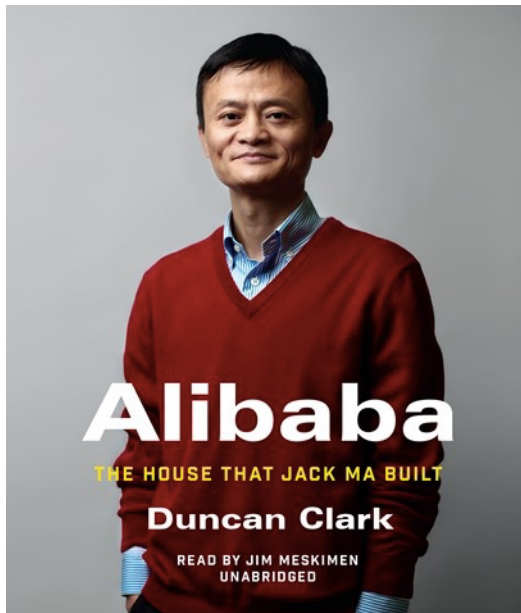


Q&A



Kahoot Game Time!





“Today is difficult,
Tomorrow will be more difficult,
but the day after tomorrow is beautiful.
Most people die at tomorrow evening.”

- Jack Ma



prof. dr. xiaotianzhang

