



Leading Chinese cross-border brands

The Top 50



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Foreword



Jessie Qian
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Global trade has long been a hallmark of Chinese business culture. Since the establishment of trade routes along the Silk Road, there has been a flow of innovation, products and services from China to the world.

Innovative Chinese companies continue to export to global markets, often redefining customer demands and introducing new experiences and technology. Through global supply chains, they are making significant investments in designing and developing new products and services, looking to fulfil the needs of sophisticated customers in an increasing number of markets.

However, the opportunity for growth poses both challenges and significant opportunities. As such, this study explores three key areas:

- Who are the leading Chinese brands in global markets?
- How can companies respond to and capitalise on consumers' generational, gender, educational, income and geographical differences to build influential global brands?
- What strategies should Chinese companies consider in order to develop outstanding localised customer experiences?

Building on our knowledge of the Chinese market, KPMG China has collaborated with Facebook to try and answer these questions. By conducting a global assessment, we have gathered insights from consumers around the globe regarding their perception of Chinese brands on e-commerce, gaming, mobile applications and consumer goods. Using the Facebook platform, as well as feedback from 2,400 consumers from both mature and emerging markets in Germany, India, Indonesia, Mexico, Saudi Arabia, Thailand, the UK and the US, our analysis identifies key trends and the perception of Chinese brands in these markets.

Chinese brands have become part of consumers' daily lives, and continue to make a personal connection. We hope that this report provides you with valuable insights on Chinese global brands, and we welcome the opportunity to discuss these findings further.



Jayne Leung
Head of Greater China
Facebook

The call for win-win cooperation that promotes business coexistence and development in China has provided significant opportunities for economic development and enhanced connectivity between nations and enterprises across the globe. It is our vision to help Chinese companies leverage this trend of going global.

The prevalence of mobile internet technology has made globalisation an unstoppable trend. Everyone in the world can now become a global consumer. In fact, Chinese companies have been a key driving force of global cross-border business, and have kept innovating products and services to respond to changing trends and global consumer demands. In the past, Chinese companies were considered the suppliers of products 'made in China', with a focus on expanding quantity. Today, they have upgraded to manufacturers of products 'created by China' – they are bringing Chinese brands to the global stage by adopting an international mindset and methods. The prospects are promising.

Facebook is committed to helping Chinese companies of all sizes go global, and closely connecting them with hundreds of millions of users worldwide. With over 2.2 billion global users, Facebook is the world's largest online community. This includes 1 billion users connected to at least one overseas merchant, and 65 million merchants whose overseas customers make up 30 percent of their business. With Facebook's 'people-oriented' marketing principle, extensive user base and advanced technology, Chinese companies can more closely connect with this huge pool of global users in a more targeted manner. This can help businesses improve sales conversions, and enhance brand relevance and loyalty, thereby creating truly global businesses.

Facebook has partnered with KPMG China to publish *Leading Chinese cross-border brands: The Top 50*. By integrating brand equity data from Facebook, the report aims to assess the brand awareness of Chinese companies across global markets. We are also delighted to include insights from Tsinghua University, as well as leading global Chinese companies and other key opinion leaders, who share their ideas and views on the global macroeconomic environment Chinese companies face when venturing abroad, recommendations on branding strategies in overseas markets, and 'people-oriented' brand building concepts.

We hope this report is beneficial and inspiring to Chinese companies in their overseas ventures, particularly in the areas of e-commerce, mobile applications, gaming and consumer goods.

Executive summary

In the dynamic global market, *Leading Chinese cross-border brands: The Top 50* takes a snapshot of the state of Chinese export brands to examine how they are perceived globally, as well as to gain a deeper understanding of the characteristics that turn cross-border businesses into real brand leaders.

Defining the Top 50 has been central to developing this point of view. This has been based on analysis from a global survey of 2,400 consumers in eight markets, combined with normalised Facebook performance data. The result is a list of leading companies from four verticals – e-commerce, mobile applications, gaming and consumer goods.

A number of key findings were identified:

- Awareness of Chinese brands is consistently high – consumer goods led, with 94.9 percent of respondents recognising brands in this vertical.
- Awareness is markedly higher in emerging markets, representing great potential for further growth of Chinese brands.
- 64.4 percent of respondents perceived Chinese brands favourably – in fact, Chinese brand perception was positive for all top 10 factors.
- The research pinpointed key factors which influence buying decisions, with the top three being quality, price and user friendliness.
- Consumers also perceive China branded products as stylish (56 percent).
- While country of origin was either ‘very important’ or ‘somewhat important’ for 59.3 percent of respondents, only 41 percent would be ‘likely’ or ‘very likely’ to buy a generic product or service from China. This underscores the need to invest in building all dimensions of a brand and implementing targeted promotion when going global.

Finally, for each vertical we examine some of the key demographic differences, including age, income, education level, gender, and behavioural characteristics such as online shopping, gaming, news reading or even international travel habits. These characteristics provide insights into what brands need to consider when positioning themselves to be top of mind and relevant.

Focus on innovation to drive a moderately prosperous society

The report also examines how government policy initiatives can impact China’s contribution to the global economy, as well as provide domestic benefits. Chinese policies and socio-economic blueprints, including the 13th Five-Year Plan, are supporting the important transition from a focus on rapid double-digit growth through low-tech products, to a more sustainable pace supported through elevation to higher-technology solutions. Chinese firms with a global market strategy need to ensure their approach remains consistent with government policy objectives.

The key message is that the changing environment presents a multitude of opportunities for growing Chinese firms seeking to establish a presence across the world. Given the current focus on more sustainable policies, Chinese companies can consider more measured growth that mitigates risk, and work to build expertise and gain a technological edge to help move up the value chain and become more competitive in the global market. While going global has a significant upside, it is crucial for Chinese firms to ensure the business and operating models address the risks of expanding to new markets.

BRANDING

Brand building considerations for global brands

Given these ripe policy and economic conditions, this report looks to explore the question, 'What do Chinese companies need to consider when going global?', and provides insights from key opinion leaders (KOLs) on building and maintaining successful global brands. We have worked with a multitude of global China brands including 37 Interactive Entertainment, Alibaba Group, Globalegrow, NetEase, OPPO and TRANSSION, and gained perspectives from DLA Piper, Gobi Partners, Nielsen, Ogilvy and Tsinghua University in their specific areas of expertise.

The importance of customer centricity

The final trend explored in the report is the increasing importance of brands being customer centric to build global companies. The 21st century has seen a remarkable shift in power to the consumer. As consumers increasingly expect more from local and global companies, brands which are not moving to meet customer expectations will fall behind, particularly in today's internet-oriented business environment. As such, delivering customer experience excellence is no longer an optional extra – it is directly linked to the creation of long-term financial value.

As top companies enjoy up to 54 percent greater revenue than their non-customer-centric competitors,¹ we believe one of the key building blocks of a global brand is to ensure customer centricity is part of an entire organisation's DNA. To that end, we explore how successful brands deliver an exceptional customer experience through The Six Pillars of customer experience excellence – Personalisation, Integrity, Expectations Resolution, Empathy, and Time and Effort.

Conclusion

The conditions for expansion into new global markets provide an opportunity for companies to expand and provide new experiences, products and services beyond local markets to a diverse consumer pool. However, to capitalise on this, it is imperative for Chinese brands with global ambitions to gain deep insights across various demographics and what drives their purchase decisions. It is also an opportunity for Chinese brands to better understand consumer behaviour of other markets and to draw on those learnings to bring different experiences to domestic consumers.

Ultimately, it is the brands that strategically act on the increasing amounts of data and related consumer behaviour insights that eventually find relevance, stay competitive and thrive.

¹ 'KPMG Global Customer Experience Excellence Report', KPMG International, June 2018, <https://home.kpmg.com/xx/en/home/campaigns/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach-in-a-changing-world.html>

Methodology

Identifying the Top 50 leading Chinese global brands involved a rigorous selection process.

From an initial list of over 500 Chinese companies, brand awareness in major global markets and Facebook performance indicators were used to identify 135 brands to assess across four market verticals:

- Consumer goods – Electronics, food and beverage, automotive, travel, media, etc.
- e-Commerce – Platforms for purchasing fashion, homeware, technology, etc.
- Gaming – Strategy games and massively multiplayer online role-playing games (MMORPGs)
- Mobile applications – Including social media applications and mobile phone utility apps such as browsers, and file and power management apps.

Intuit Research Consultants was commissioned to support the external market survey in order to identify key trends and the perception of Chinese brands among the general population in selected countries outside China. A total of 2,400 respondents were surveyed through an online questionnaire across eight countries: Germany, India, Indonesia, Mexico, Saudi Arabia, Thailand, the UK and the US.

Screening criteria were used to ensure the respondents were familiar with the vertical. For example, people that did not play any games were not asked further questions.

Companies also needed to comply with Facebook's ads policy.



Top 50 Chinese global brands

Top 50 name*	Vertical
三七互娱 (37 Interactive Entertainment)	Gaming
Air China	Consumer services
Alibaba Group	e-Commerce
Anker	Consumer packaged goods
Ant Financial	Consumer services
Banggood	e-Commerce
Bigo Technology	Mobile applications
字节跳动 (Bytedance)	Mobile applications
Cheetah Mobile	Mobile applications
Club Factory	e-Commerce
DHGMES	Gaming
DJI	Consumer electronics
智明星通 (ELEX Technology)	Gaming
Fotoable Inc.	Gaming
FunPlus	Gaming
GameArk	Gaming
Geely Auto	Consumer packaged goods
环球易购 (Globalegrow)	e-Commerce
Gree	Consumer packaged goods
Haier	Consumer packaged goods
华为技术有限公司 (Huawei)	Consumer electronics
JD.com	e-Commerce
Jollychic	e-Commerce
Kwai Technology	Mobile applications
Lenovo	Consumer electronics

* Source: *Leading Chinese cross-border brands: The Top 50*, KPMG China, 2018
The rankings are in alphabetical order, according to the company's English name.



Top 50 name*	Vertical
Lionmobi	Mobile applications
美图 (中国) 有限公司 (Meitu)	Mobile applications
Midea	Consumer packaged goods
网易游戏 (NetEase)	Gaming
Ninebot	Consumer electronics
ONEMT Limited	Gaming
OnePlus	Consumer electronics
OPPO	Consumer electronics
Pinguo Technology	Mobile applications
奇迅新游 (Qixunxinyou Technology)	Gaming
Red Infinity	Gaming
SAIC Motors	Consumer packaged goods
SHEIN	e-Commerce
Tap4Fun	Gaming
TCL	Consumer packaged goods
Tencent	Mobile applications
Touchpal	Mobile applications
传音控股 (TRANSSION)	Consumer electronics
Trip.com	Consumer services
Wecash	Consumer services
小米 (Xiaomi)	Consumer electronics
Yoozoo	Gaming
Youku	Mobile applications
Zenjoy	Gaming
ZTE	Consumer electronics

* Source: *Leading Chinese cross-border brands: The Top 50*, KPMG China, 2018
The rankings are in alphabetical order, according to the company's English name.



Survey commentary

Overview

As part of identifying Chinese leading brands, KPMG China conducted market research into respondents' consumer habits, buying behaviour and perceptions of brands. Between July and August 2018, an online survey was conducted to assess the recognition (awareness) of Chinese brands, focusing on four verticals – e-commerce, mobile applications, gaming, and consumer goods (which consisted of consumer electronics, consumer services and consumer packaged goods as sub-verticals).

Intuit Research Consultants was commissioned to support the research, which surveyed 2,400 respondents in local languages across eight countries: Germany, India, Indonesia, Mexico, Saudi Arabia, Thailand, the UK and the US. In each market, 300 respondents completed the survey. This mix provided a broad cross section of language, overall development, geographical position and market maturity.

Respondents included a balance of males and females from 18 to 55 years old, from low-, mid- and high-income groups, and different education attainment levels (including those with vocational training, college education and post-graduate degrees) and employment statuses (employed, unemployed and retired).

Key findings

High awareness of Chinese brands in all verticals

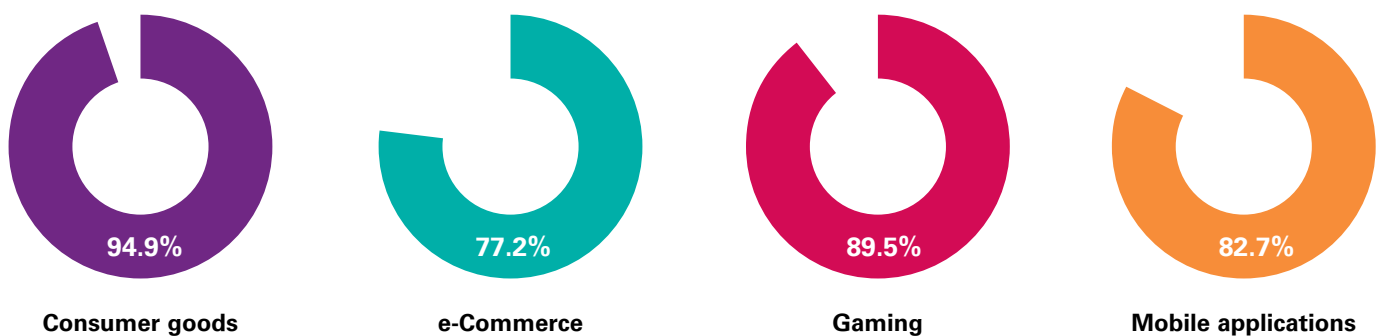
Table 1: Awareness of Chinese brands by vertical

Vertical	Overall	By market type		By age			By income level		
		Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
Consumer goods	94.9%	88.4%	98.8%	94.7%	95.3%	94.8%	94.0%	95.6%	95.5%
e-Commerce	77.2%	59.2%	88.0%	80.0%	78.4%	69.2%	72.4%	78.5%	84.7%
Gaming	89.5%	84.2%	92.3%	92.1%	88.3%	83.8%	88.5%	89.9%	90.7%
Mobile applications	82.7%	61.8%	95.2%	88.4%	81.6%	70.7%	83.4%	81.1%	84.3%

Source: KPMG China research

The survey found that awareness of Chinese brands is consistently high, with consumer goods (94.9 percent) and gaming (89.5 percent) leading, and mobile applications (82.7 percent) and e-commerce (77.2 percent) having awareness of at least one brand. The research also identified that brand awareness is markedly higher in developing markets, representing great potential for the further growth of Chinese brands – especially in developing markets where 98.8 percent of respondents were aware of at least one consumer goods brand.

Figure 1: Awareness of Chinese brands by vertical



Source: KPMG China research

Within the consumer goods vertical, the Chinese consumer electronics brands (which include mobile phone manufacturers) have some of the highest levels of brand recognition. High-income respondents had the highest levels of recognition of consumer brands, perhaps a result of this group's greater disposable income and resulting ability to buy from this vertical.

There were many similarities between those surveyed in the mobile applications and gaming verticals. While global consumers are aware of Chinese brands, the challenge businesses need to address is ensuring they deliver a positive experience with regard to the most important factors of buying decisions to encourage repeat purchases and engagement across all devices. By that measure, Chinese companies are performing well.

Before identifying specific brands, we asked respondents to identify the factors which influence buying decisions, of which the top three were quality, price and user friendliness. Chinese products were perceived positively on all three factors. With the exception of the exclusiveness of a brand (the least important factor in buying decisions), all factors had a more positive perception in terms of brand recognition.

Table 2: Importance of factors affecting buying decisions, and consumer perception of generic Chinese products

Factor	Importance ²	Consumer perception ³		
		Positive	Neutral	Negative
The quality of its products/service	80.5%	80.5%	9.0%	10.6%
Price/value	80.1%	80.1%	8.7%	11.2%
User friendliness	76.8%	76.8%	12.0%	11.2%
I know/recognise the brand	73.5%	73.5%	10.5%	16.1%
Good craftsmanship	73.2%	73.2%	15.0%	11.8%
Brand provides transparent information	72.9%	72.9%	15.6%	11.5%
Reputation of brand	72.8%	72.8%	15.0%	12.3%
Excellent after-sales service	71.5%	71.5%	16.5%	12.0%
Stylish design	63.3%	63.3%	21.2%	15.6%
Eco-friendliness of the product/brand	59.6%	59.6%	24.3%	16.1%
Exclusiveness/prestige	51.0%	51.0%	26.1%	22.9%

Source: KPMG China research

² Survey question: How important are each of the following factors in influencing your purchase decisions? Responses based on a 5-point scale: 1 – Very unimportant to 5 – Very important

³ Survey question: In terms of buying brands from China, how – in general – would you describe products you can buy from China based on the following aspects? Responses based on a 5-point scale: 1 – Very Negative to 5 – Very Positive. Difference is the variance between positive and negative scores.

Generational differences in buying behaviours

Product quality and price were identified as the top two factors influencing buying decisions across age groups. Quality was identified as the most important factor for both those aged 36-45 and 46-55, and only slightly less for younger respondents, where price/value was the leading factor. This is consistent with conventional belief and existing research that the younger generations are experience-driven and gravitate less towards brands than previous generations,⁴ but also highlights the need for brands to be aware of, and respond to, the price and quality factors.

Table 3: Factors in making a buying decision: Importance by age group⁵

Factor	Importance	18-35	36-45	46-55
The quality of its products/service	80.5%	78.4%	80.6%	85.1%
Price/value	80.1%	78.6%	79.5%	84.3%
User friendliness	76.8%	74.4%	77.0%	82.4%
I know/recognise the brand	73.5%	72.9%	74.8%	73.0%
Good craftsmanship	73.2%	71.4%	73.0%	77.4%
Brand provides transparent information	72.9%	71.0%	73.8%	76.1%
Reputation of brand	72.8%	71.4%	73.5%	75.0%
Excellent after-sales service	71.5%	69.5%	73.0%	74.0%
Stylish design	63.3%	65.8%	63.4%	57.2%
Eco-friendliness of the product/brand	59.6%	59.8%	60.7%	57.7%
Exclusiveness/prestige	51.0%	53.3%	51.5%	44.9%

Source: KPMG China research

⁴ 'Millennials and the experience-driven economy', Business Exchange, Vol. 1: Iss. 8, Article 4, accessed on 13 August 2018, <http://via.library.depaul.edu/bx/vol1/iss8/>

⁵ Survey question: How important are each of the following factors in influencing your purchase decisions? Responses based on a 5-point scale: 1 – Very unimportant to 5 – Very important



The demographic difference in expectations

The survey results demonstrate that respondents from different demographics have varying expectations, which reinforces the need for highly personalised products to meet different groups' needs. Consumers are also motivated to buy or download by different facets of the customer experience value chain.

However, the power of brand recognition cannot be understated, with 73.5 percent of respondents identifying brand recognition and 72.8 percent identifying brand reputation as a factor when purchasing a product. These factors become more important as income level increases, with over 80 percent identifying these as important factors.

Table 4: Factors in making a buying decision: Brand importance by market, age and income level⁶

Factor	Importance	By market type		By age			By income Level		
		Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
I know/recognise the brand	73.5%	63.1%	79.7%	72.9%	74.8%	73.0%	68.1%	75.2%	82.0%
Reputation of brand	72.8%	64.2%	77.9%	71.4%	73.5%	75.0%	67.5%	74.6%	80.9%

Source: KPMG China research

Taking this further, consumers in developing markets place emphasis on a variety of factors when making a buying decision. Respondents consistently identified each factor as more important than their counterparts in developed markets.

Table 5: Factors in making a buying decision: Importance by market type⁷

Factor	Overall	Developed markets	Developing markets
The quality of its products/service	80.5%	74.8%	83.9%
Price/value	80.1%	76.8%	82.1%
User friendliness	76.8%	71.0%	80.3%
I know/recognise the brand	73.5%	63.1%	79.7%
Good craftsmanship	73.2%	69.4%	75.4%
Brand provides transparent information	72.9%	61.9%	79.5%
Reputation of brand	72.8%	64.2%	77.9%
Excellent after-sales service	71.5%	57.8%	79.7%
Stylish design	63.3%	49.3%	71.6%
Eco-friendliness of the product/brand	59.6%	45.9%	67.8%
Exclusiveness/prestige	51.0%	35.6%	60.2%

Source: KPMG China research

⁶ Ibid

⁷ Ibid

What also emerged was that the importance of brand recognition and reputation increases with income level. For example, while quality and price were the top two factors for all income brackets, this was particularly true for mid- and high-income earners.

Table 6: Factors in making a buying decision: Importance by income level⁸

	Overall	Low	Mid	High
The quality of its products/service	80.5%	78.0%	81.5%	83.8%
Price/value	80.1%	77.4%	81.3%	83.6%
User friendliness	76.8%	74.1%	77.4%	81.8%
I know/recognise the brand	73.5%	68.1%	75.2%	82.0%
Good craftsmanship	73.2%	71.3%	73.0%	77.8%
Brand provides transparent information	72.9%	68.8%	74.3%	78.9%
Reputation of brand	72.8%	67.5%	74.6%	80.9%
Excellent after-sales service	71.5%	68.0%	71.9%	78.4%
Stylish design	63.3%	61.0%	63.5%	67.9%
Eco-friendliness of the product/brand	59.6%	57.3%	60.5%	62.7%
Exclusiveness/prestige	51.0%	47.6%	51.7%	56.9%

Source: KPMG China research

⁸ Ibid



Behavioural determinants of brand awareness

Other behavioural characteristics also determined buying behaviour. For example, awareness increased in importance for respondents who report greater incidence of online shopping and news consumption. Forty-two percent of those who read online news several times a day find brand awareness to be an influential factor in purchasing decisions, versus 23.2 percent for those who report never reading the news. Similarly, close to 50 percent of frequent shoppers (defined as those who have shopped online in the last three months) cite brand advertising as a compelling factor in their decision-making process.

Additionally, the importance given to brand recognition also increases with the respondents' technology adoption level. For example, 76 percent of those who are able to download mobile applications independently rate brand recognition as an important factor when making purchases or completing downloads, as opposed to 46 percent of those who identify themselves as requiring assistance for such processes.

A transition from cheap to quality

Interestingly, more frequent shoppers perceive products from Chinese companies to be more expensive, and rate the overall shopping experience to be more positive. Significantly more shoppers who bought online more than 50 times in the past 12 months perceive Chinese products to be more expensive – 50 percent more so than those who shopped less than 10 times in the last 12 months. Frequent online shoppers also found Chinese brands to be more reputable and trustworthy (over 50 percent indicated that they found a particular Chinese brand to be trustworthy).⁹ Our survey findings reveal that the more frequently respondents shop, the more they realise that Chinese brands offer products at a variety of different price points, diminishing the perception that products from Chinese companies are only those that are affordably priced or lower end.

⁹ Survey question: Regarding buying brands from China, how – in general – would you describe products you can buy from China on the following aspects from untrustworthy to reputable? Responses based on a 5-point scale: 1 – Untrustworthy to 5 – Reputable





Consumer goods

Near universal awareness

Table 7: Awareness of Chinese consumer goods brands¹⁰

Overall awareness	By market type		By age			By income level		
	Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
94.9%	88.4%	98.8%	94.7%	95.3%	94.8%	94.0%	95.6%	95.5%

Source: KPMG China research

Within the consumer goods vertical, brands were assessed across three sub-verticals:

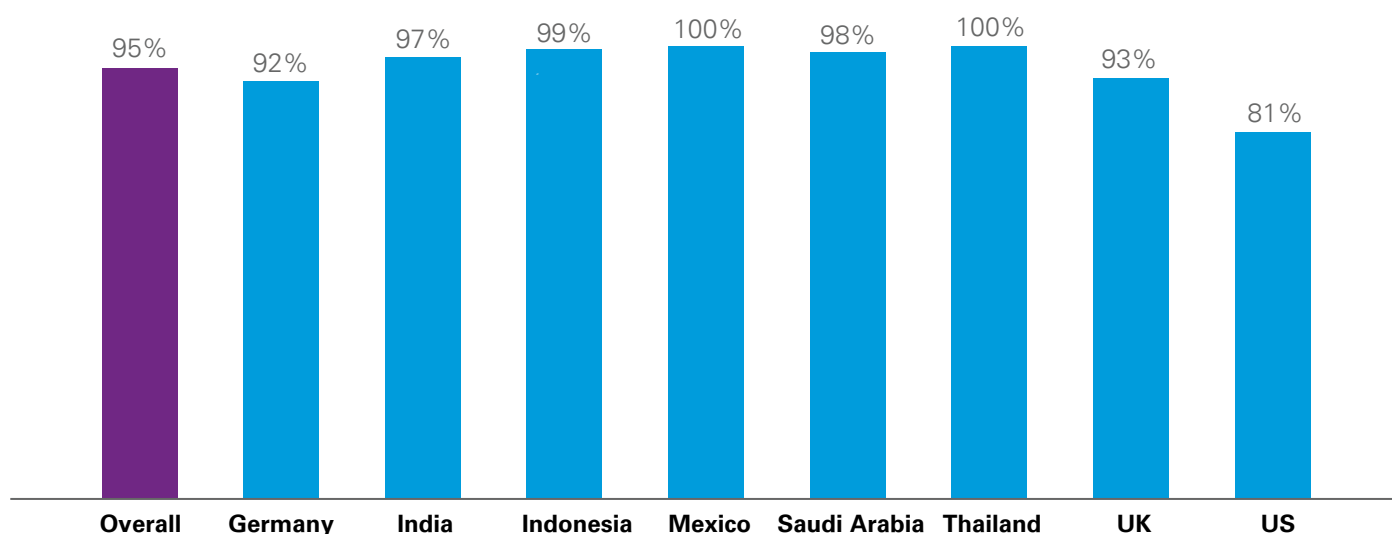
- Consumer electronics – including mobile phones and electronic devices
- Consumer packaged goods – including homeware, beverages and automobiles
- Consumer services – including travel, and financial services

According to the research, Chinese consumer goods brands enjoy near universal brand awareness, with 94.9 percent of respondents recognising at least one brand name. In particular, consumer electronics was the most recognised sub-vertical as China's consumer technology leaders expand their global reach. While brand awareness is high, so is brand advocacy and brand trust, as nearly three out of four consumers interviewed (72 percent) indicated that they trust Chinese consumer brands. Of those who have used consumer goods assessed in our survey, 71.1 percent trusted the brand (with a further 20.5 percent viewing the brand as neutral), while 66.2 percent of consumers believe that the particular consumer good is relevant to their needs.

Of the geographies surveyed, Thai, Mexican and Indonesian consumers displayed high awareness of Chinese brands, with 99 percent of respondents recognising at least one brand. Within emerging markets, the entire group of 46-55 year olds surveyed were all aware of Chinese consumer goods. On the other hand, American respondents were the least aware of Chinese consumer brands. This may be due to the high number of domestic consumer goods and near saturation of the US market. While attractive, the US market is often considered difficult to penetrate, as homegrown firms, including consumer technology heavyweights, have been entrenched in the country for many years and have a deep understanding of consumer behaviours and preferences.

¹⁰ Survey question: Which of the brands below are you aware of? Please select all that apply.

Figure 2: Awareness of Chinese consumer goods brands by country



Source: KPMG China research

Travel: Limited awareness overall, pockets of strength in Southeast Asia

Overall, China's travel sector was among the least recognised across the four verticals. According to our research, 60 percent of respondents are aware of a single travel brand. However, in line with expectations, our study established that this figure increased for those who reported a greater incidence of travel. Indeed, respondents who had indicated out-of-country travel within the last three months displayed 74 percent travel brand recognition.

Our findings in the travel sector were consistent with overall trends. Once again, Western developed nations demonstrated relatively low awareness, while the cluster of emerging markets exhibited about 70 percent brand awareness. Yet again, Thai consumers were the leaders of both the emerging market pack and across all markets, with nearly 9 out of 10 respondents recognising at least one travel brand. Indonesian and Indian consumers were not far behind their Thai counterparts in terms of awareness. However, less than half of consumers surveyed in Western developed markets were aware of Chinese travel brands. China's distance from the West may be a contributing factor to this statistic. Another factor could be that because many of the flights offered by Chinese carriers either originate from or require a China leg, they may not cater to international travel as much as other providers.

Brand trust is exceedingly crucial in the travel sector, particularly with airlines. Our research denotes that only 66 percent of customers are likely to recommend a Chinese travel brand. Indeed, opportunity awaits the Chinese travel industry, where awareness is lower than most other categories.

Price perception

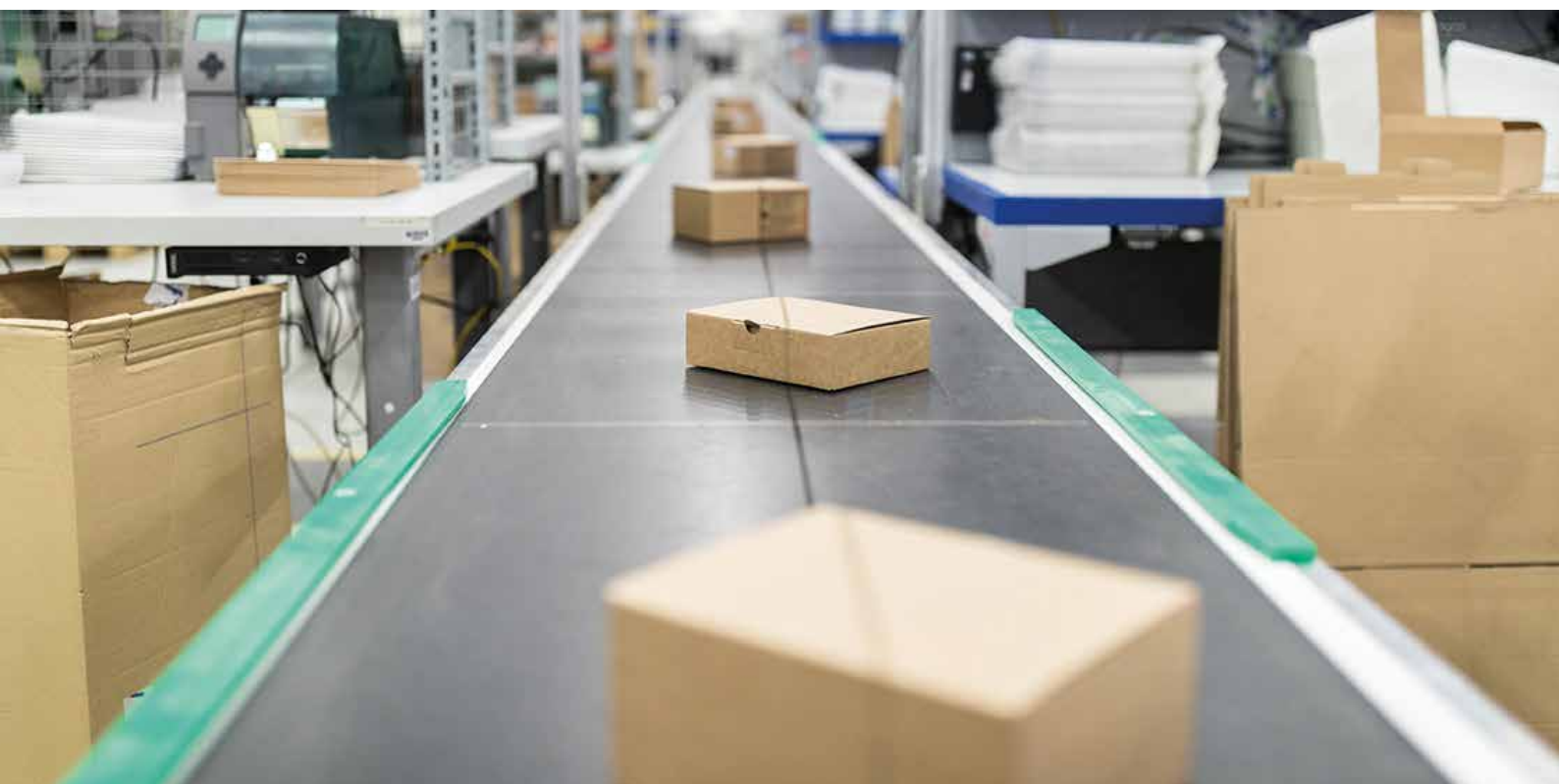
If goods made in China were previously associated with inexpensive, low-quality products, that perception is rapidly shifting. Today's global consumers – especially those in emerging markets – are very receptive to products from Chinese companies.

Why is this important?

Consumer electronics was the standout category in this vertical, enjoying the highest brand recognition across all eight markets, with some consumer electronics brands posting over 70 percent awareness across markets. More than half the participants (62 percent) would recommend Chinese consumer electronics brands to their peers. These Chinese brands can continue to leverage this success globally, and it is an opportunity for them to expand into new markets.

It would be wise for travel brands to strategise methods to better service non-Chinese speakers, as a discrepancy exists in terms of brand awareness across languages. For instance, approximately 62 percent of English-speaking respondents recognised Chinese travel brands, which is lower than Thai, French and Hindi speakers, but higher than Spanish and German speakers surveyed. In line with expectations, our data confirmed that with higher incomes and education level, came higher travel brand awareness, with 70 percent of high-income consumers demonstrating awareness.

Additionally, the positive image of Chinese consumer goods, particularly in developing markets such as Thailand, Indonesia and India, continue to present a distinctly attractive opportunity for Chinese brands seeking to diversify their market portfolios.





e-Commerce

Strong awareness, particularly in developing markets

Table 8: Awareness of Chinese e-commerce brands¹¹

Overall awareness	By market type		By age			By income level		
	Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
77.2%	59.2%	88.0%	80.0%	78.4%	69.2%	72.4%	78.5%	84.7%

Source: KPMG China research

E-commerce brands from China enjoy strong brand recognition on the global stage, with nearly 8 out of 10 respondents aware of at least one e-commerce brand included in the survey. Of those who have used any e-commerce platform assessed in our survey, 68.7 percent trusted the brand (with a further 20.8 percent viewing the brand as neutral), and 67.1% would recommend the platform to others.

We found that across both developed and emerging markets, brand recognition increases as income, education (college and post-graduate respondents) and technological savviness increases, and that the younger the consumer, the higher the awareness of a Chinese brand.

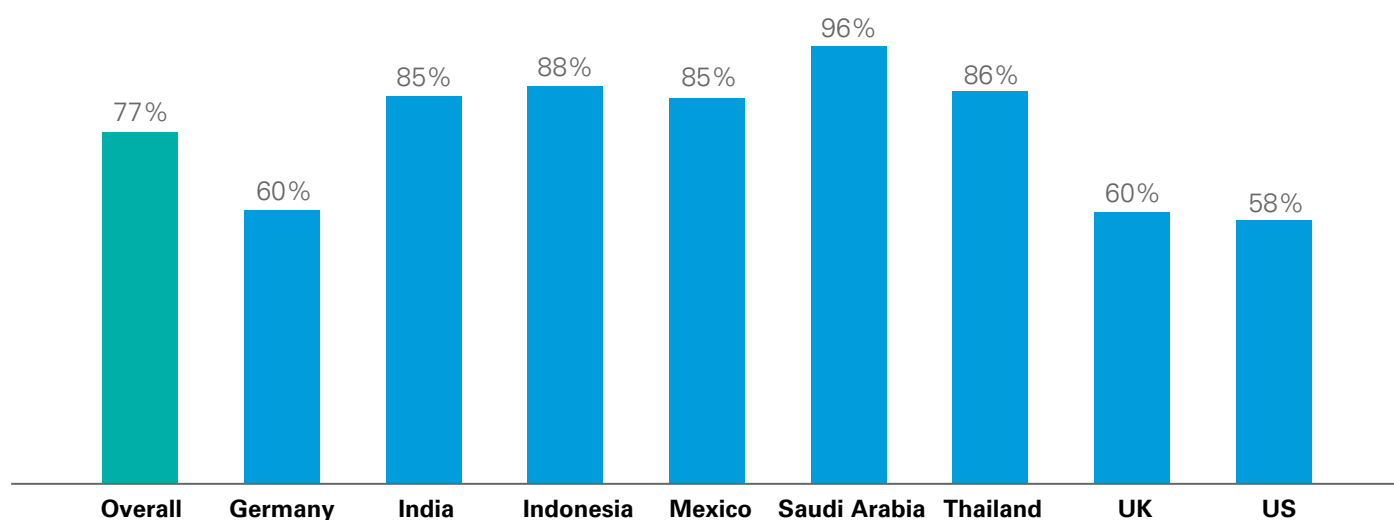
However, despite these trends, brand awareness across countries varied markedly, with emerging markets consumers having significantly higher awareness (88 percent) than developed markets (59.2 percent).

While proximity to China of several emerging market country respondents may explain the higher awareness, Saudi Arabia (96 percent) and Mexico's (85 percent) brand recognition may seem surprising as their awareness was above predominantly English-speaking and developed markets. This demonstrates that it is possible to design brands that can traverse both the language and time zone divides. For example, while 97 percent of Chinese speakers are aware of e-commerce brands, awareness from Hindi (85.7 percent) and Thai (86.8 percent) speakers was higher than the 78 percent of English speakers who are aware of at least one brand.

Brand recognition across gender was comparable at 77 percent for males and females, demonstrating that shopping online appeals to both.

¹¹ Survey question: Which of the e-commerce brands below are you aware of? Please select all that apply.

Figure 3: Awareness of Chinese e-commerce brands by country



Source: KPMG China research

Table 9: Online buying habits¹²

	Overall	By market type		Gender		Age			Annual income		
		Developed markets	Developing markets	Male	Female	18-35	36-45	46-55	Low	Mid	High
Within the last 1 month	70.9%	72.8%	69.8%	68.4%	73.5%	71.6%	70.2%	70.2%	63.1%	74.0%	82.0%
Within the last 2-3 months	14.7%	13.8%	15.2%	15.7%	13.6%	14.2%	17.0%	12.8%	16.2%	13.9%	12.8%
Within the last 4-6 months	5.2%	5.1%	5.2%	6.2%	4.1%	5.5%	4.2%	5.5%	6.0%	5.5%	2.7%
Within the last 7-12 months	2.1%	1.3%	2.6%	2.3%	2.0%	1.7%	2.3%	2.9%	2.7%	1.8%	1.6%
More than 12 months ago	3.0%	2.7%	3.2%	3.7%	2.3%	3.2%	2.6%	3.1%	5.0%	2.0%	0.7%
Never	4.1%	4.3%	4.0%	3.7%	4.6%	3.7%	3.8%	5.5%	7.1%	2.7%	0.2%

Source: KPMG China research

¹² Survey question: When was the last time you purchased a product or paid for a service online?

Table 10: Online buying habits: Shopping frequency¹³

	Total	By market type		Gender		Age			Annual income		
		Developed markets	Developing markets	Male	Female	18-35	36-45	46-55	Low	Mid	High
Over 100 times	7.6%	8.6%	7.0%	8.3%	6.9%	8.9%	6.8%	5.9%	6.3%	6.3%	12.9%
51-100 times	11.4%	13.7%	9.9%	12.4%	10.3%	14.1%	9.2%	7.7%	9.7%	11.4%	14.5%
26-50 times	17.3%	21.5%	14.7%	16.2%	18.3%	17.0%	20.9%	13.2%	12.0%	19.0%	24.5%
11-25 times	25.4%	29.4%	23.0%	26.2%	24.5%	24.7%	23.8%	29.1%	22.7%	27.9%	25.6%
6-10 times	18.2%	15.1%	20.1%	17.5%	19.0%	17.4%	19.3%	18.8%	19.1%	18.7%	15.4%
2-5 times	17.4%	10.5%	21.6%	17.1%	17.7%	15.5%	17.7%	21.5%	25.1%	15.1%	6.8%
Once	2.7%	1.2%	3.7%	2.3%	3.2%	2.5%	2.4%	3.8%	5.2%	1.6%	0.2%

Source: KPMG China research

Why is this important?

As consumers increasingly spend their money online, e-commerce platforms are expected to continue outpacing traditional bricks-and-mortar shops. Indeed, 71 percent of respondents made an online purchase in the month before the survey, and 92.9 percent within the previous 12 months. However, of the 92.9 percent who have purchased online, only 50.5 percent have used at least one of the e-commerce platforms in the survey, and 58.6 percent expect to do so in the next 12 months. This potential growth provides an opportunity for companies to increase revenues, particularly with mid- to high-income earners and individuals who have completed higher levels of education, and who are more frequent users and bigger spenders.

Depending on product positioning, it is also important for Chinese brands to consider their approach to increasing awareness for market segments with greater discretionary spend and more frequent buying behaviours (notably the older generations). Brands should also consider how to increase relevance, as well as consumer loyalty – particularly in developed markets where awareness is high. It is, however, encouraging that close to 70 percent of respondents who indicated awareness of one brand would recommend the brand to friends and family.

¹³ Survey question: How often did you make online purchases (product or services) during the past 12 months?
Base: Respondents who shopped online in the previous 12 months





Gaming

Universal awareness cutting across age, gender and socio-economic divides

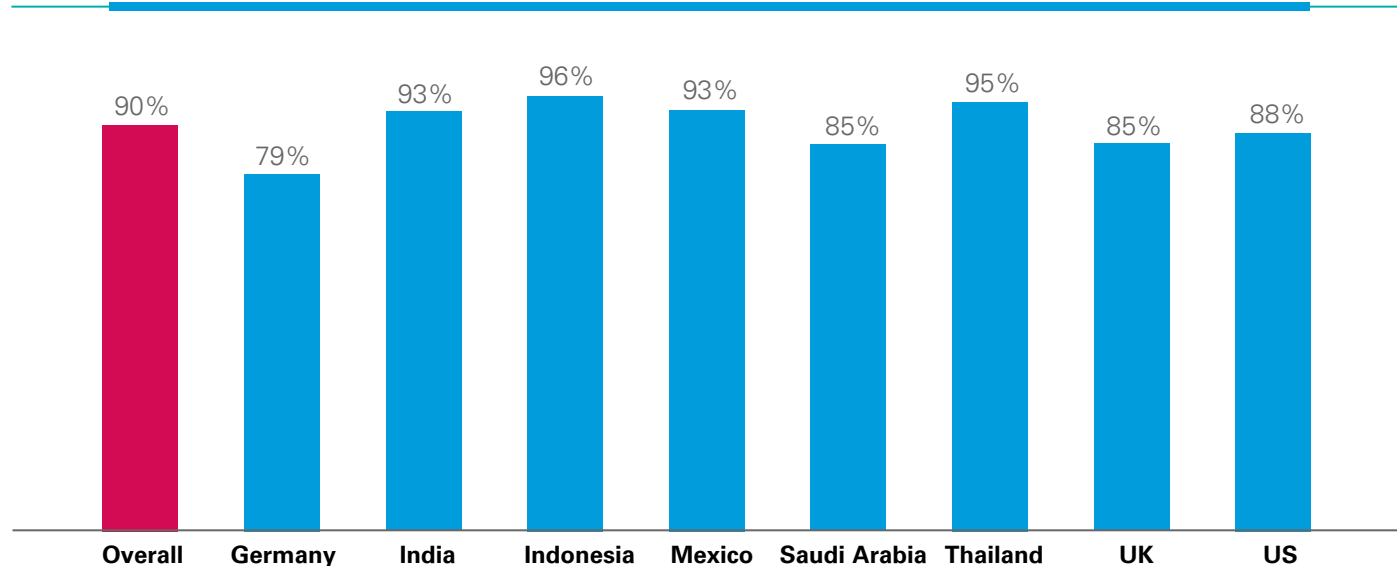
Table 11: Awareness of Chinese gaming brands¹⁴

Overall awareness	By market type		By age			By income level		
	Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
89.5%	84.2%	92.3%	92.1%	88.3%	83.8%	88.5%	89.9%	90.7%

Source: KPMG China research

In the gaming vertical, 89.5 percent of respondents identified at least one Chinese game brand, which includes 84.2 percent in developed markets and 92.3 percent in emerging markets. This is consistent with the observed trend in other verticals, where brand awareness is higher in developing markets compared to developed markets. However, the difference in awareness in gaming brands is narrower than in other verticals.

Figure 4: Awareness of Chinese gaming brands by country



Source: KPMG China research

¹⁴ Survey question: Which of these gaming brands are you aware of? Please select all that apply.

Despite high overall awareness in this category, there is limited awareness of multiple games, with consumers tending to be aware of more targeted brands which match their game playing preferences. Additionally, respondents who reported higher income levels had higher levels of brand awareness. This highlights the opportunity for Chinese gaming companies to understand this segment's needs to develop more personalised connections, and attract gamers. It also provides a greater opportunity for monetisation. The gamers identified in our survey also seemed to be more aware of strategy-focused games as opposed to games that centred around fighting or massively multiplayer online role-playing games (MMORPGs).

Table 12: Preferred game type¹⁵

Game type	Overall	Developed markets	Developing markets	Male	Female	18-35	36-45	46-55	Low	Mid	High
Fighting	45.2%	41.2%	47.4%	56.3%	33.2%	53.1%	44.0%	24.7%	39.5%	48.2%	51.7%
Strategy	62.6%	65.1%	61.3%	63.1%	62.1%	67.0%	59.4%	54.6%	57.6%	63.9%	70.7%
MMORPG	29.6%	23.2%	33.0%	33.6%	25.2%	34.8%	27.8%	17.3%	25.7%	30.7%	35.7%
Other	30.8%	35.9%	28.1%	27.4%	34.5%	26.2%	29.8%	45.6%	33.9%	28.6%	28.8%

Source: KPMG China research

Chinese gaming brands have also cultivated high brand advocacy and trust globally – 70 percent of those surveyed who have used any gaming application trust the brand, while an additional 20.8 percent view the brand as neutral. Likewise, 61.7 percent of respondents stated that they would recommend a particular game to friends or family, and a similar percentage found the brand/s they are aware of relevant to their needs.

The age dimension

Awareness of gaming brands is largely consistent across age groups – 92.1 percent of 18-35 year olds, 88.3 percent of 36-45 year olds and 83.8 percent of 46-55 year olds cited awareness of at least one Chinese gaming brand. This represents a difference of 8.3 percent between the youngest (18-35 year olds) and oldest cohort (46-55 year olds), and challenges the notion that gaming is a pastime reserved for younger generations.

¹⁵ Survey question: What type of games do you enjoy playing?

The end of the gender divide

Awareness does not differ significantly according to gender. In fact, females' awareness of gaming brands differed by only 0.1 percent, with 89.4 percent of females reporting knowledge of at least one Chinese gaming brand, as opposed to 89.5 percent of males, weakening the myth of gaming being a male-dominated endeavour. Those who reported greater incidence of online shopping were also more aware of Chinese gaming brands. Furthermore, awareness also remained constant across income and education levels, further demonstrating the universality of gaming, as no other vertical has showcased such similar levels of engagement across gender, employment status, age group and other demographic indicators.

Unsurprisingly, technology adopters were more frequent gamers, with those who are able to independently install applications demonstrating the greatest awareness of gaming brands, while awareness of those needing help with application installation was at 69.7 percent.

The awareness of Chinese gaming brands is also very significant across developing markets – particularly those in Southeast and East Asia – as 95 percent of Thai speakers and 91 percent of Hindi speakers reported awareness of at least one gaming brand. However, Saudi Arabia was slightly anomalous to this finding, posting high awareness and engagement with Chinese mobile applications and much lower awareness of Chinese gaming brands. This may be because gaming requires additional equipment and specific purchases that are regionally driven, while many applications are free and require fewer auxiliary purchases.

Table 13: Frequency of gaming by market, gender and age group¹⁶

	Developed markets	Developing markets	Male	Female	18-35	36-45	46-55	Low
Multiple times a day	28.7%	41.8%	36.6%	37.1%	42.7%	34.0%	27.0%	40.8%
Once a day	20.8%	20.5%	21.2%	20.0%	21.5%	21.7%	17.0%	18.0%
Once in 2-6 days	14.6%	12.5%	14.9%	11.6%	14.3%	12.8%	11.5%	11.8%
Once a week	8.0%	8.3%	7.9%	8.5%	6.7%	9.8%	9.8%	6.6%
Once in 2-3 weeks	2.3%	3.3%	3.0%	2.8%	2.3%	3.6%	3.4%	2.7%
Once a month	3.4%	2.6%	3.3%	2.5%	2.6%	2.7%	4.0%	4.0%
Once in 2-6 months	1.8%	1.4%	1.4%	1.7%	1.6%	1.4%	1.5%	1.4%
Less often than once in 6 months	4.6%	4.4%	3.8%	5.1%	3.5%	4.5%	6.5%	4.3%
Never	15.8%	5.2%	7.9%	10.7%	4.8%	9.5%	19.3%	10.4%

Source: KPMG China research

¹⁶ Survey question: How often do you play games using your PC, tablet or smartphone?

Why is this important?

The gaming findings go against the established view that the gaming industry is dominated and driven by young males. This reflects the need for game developers to establish targeted offerings for both males and females.

While awareness and engagement are clearly high, only a few brands dominate the category. This presents a distinct opportunity for Chinese gaming brands to capture market share from other local players. The significant engagement of gamers in South Asia, Southeast Asia and East Asia can also indicate an opportunity for more localised content and games to drive greater focus and engagement in these areas. Of the respondents, 60.5% have downloaded or played a game from the brand identified, while 58.5% plan to play a game from the brand in the next 12 months. It is important for brands to ensure the games stay relevant and capitalise on the opportunity to retain and attract customers.

Finally, the awareness of gaming brands in developed markets lags behind that of developing markets. Given the high engagement of gamers in markets such as the US and UK, capturing more of the market share in these markets presents a compelling opportunity for Chinese gaming brands, with the potential for significant financial rewards.





Mobile applications

Growing global awareness and penetration

Table 14: Awareness of Chinese mobile application brands¹⁷

Overall awareness	By market type		By age			By income level		
	Developed markets	Developing markets	18-35	36-45	46-55	Low	Mid	High
82.7%	61.8%	95.2%	88.4%	81.6%	70.7%	83.4%	81.1%	84.3%

Source: KPMG China research

Given the diversity of mobile applications available to users, respondents evaluated two types of applications:

- Utility applications – including power-saving, maintenance and optimisation applications for mobile phones
- Social media, video and entertainment-related applications.

China's ascent to a major global player in the technology space is reflected in the widespread and growing global awareness of its mobile applications. Of the respondents, 82.7 percent recognised at least one mobile application. This perhaps feeds into brand trust, advocacy and relevance – 63 percent of respondents claimed that they would recommend Chinese mobile applications to friends and family, and 65.6 percent of those who have used any mobile application platform assessed in our survey said they trusted the brand (with a further 22.1 percent viewing the brand as neutral). Finally, 60.7 percent believe the particular application is relevant to their needs.

Interestingly, despite the high level of awareness of Chinese brands in this category across countries, gender and income levels, some significant differences can also be noted. There was a clear disparity of brand awareness of mobile applications between developed and developing markets. Developed markets presented significantly less awareness of Chinese mobile applications, with 61.8 percent reporting awareness of at least one Chinese mobile application compared to 95.2 percent of consumers in developing markets. Additionally, in developed markets, awareness of applications was notably higher for utility applications. This is consistent with the fact that Chinese technology companies have devoted substantial resources to developing utility applications, but also underlines an opportunity for social media and entertainment applications to enter developed markets. This is an area which has arguably been overlooked by Silicon Valley and other Western developers.¹⁸

¹⁷ Survey question: Which of these apps are you aware of? Please select all that apply.

¹⁸ 'How Chinese tech company conquered markets overseas', Tom Hancock, 31 July 2018, <https://www.ft.com/content/923eef5a-90dd-11e8-bb8f-a6a2f7bca546>.

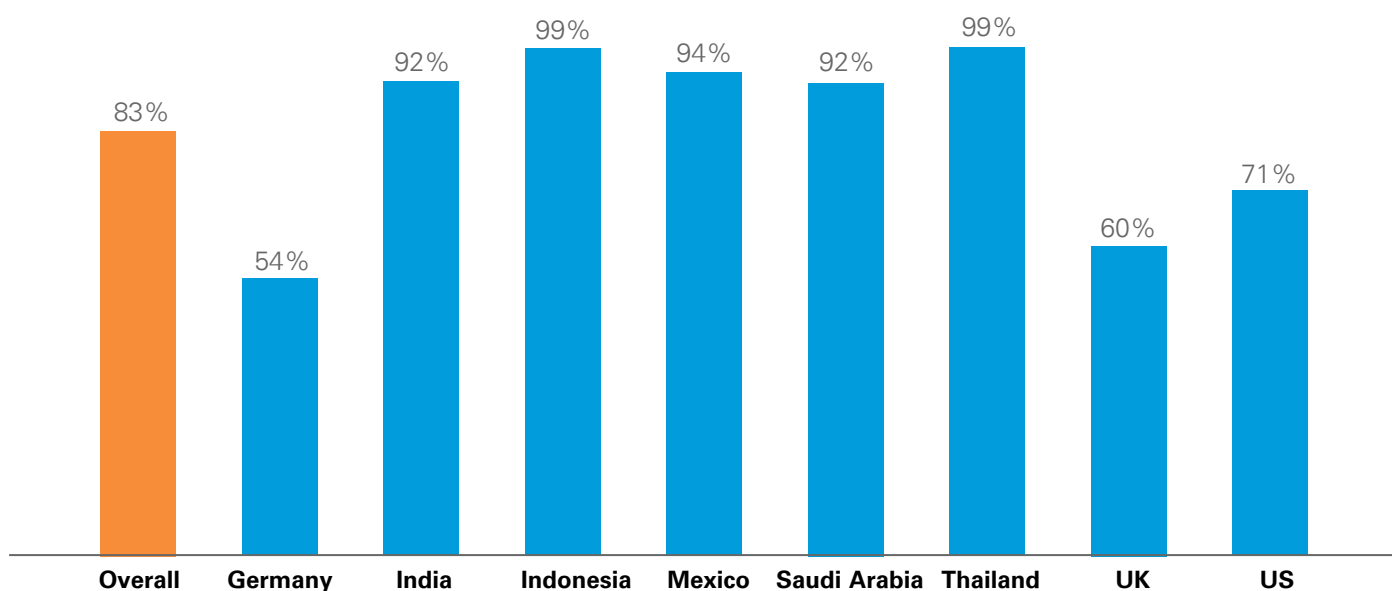
Overall, there is a clear correlation between those who reported technological savviness, and the awareness and recognition of Chinese mobile applications. Forty-five percent of those who required help installing mobile applications were aware of Chinese mobile applications, while those who identified as more technologically adept had an awareness level of 85.3 percent.

Often referred to as digital natives, the 18-35 year-old respondents demonstrated the greatest awareness of Chinese mobile applications – 88.4 percent indicated that they were aware of at least one Chinese mobile application. This statistic was consistent across all geographies surveyed.

As the age of respondents increased, their awareness of mobile applications declined. For the oldest respondents in the survey, 70.7 percent indicated awareness of at least one Chinese mobile application. While overall awareness in the oldest demographic is still high, an opportunity exists to help this older demographic optimise their mobile phone usage and bridge the gap to other age groups.

Older respondents used different types of mobile applications and were more engaged in the use of utility applications as opposed to younger respondents who were found to be most engaged with social media and entertainment applications.

Figure 5: Awareness of Chinese mobile application brands by country¹⁹



Source: KPMG China research

¹⁹ Survey question: Which of these apps are you aware of? Please select all that apply.

Why is this important?

Digital consumption, particularly via smartphones, only continues to rise globally. Smartphone ownership across all geographies and age groups is growing at rapid rates, especially in developing markets such as Indonesia, Thailand and India, which have significant numbers of digital natives. According to KPMG research, millennials check their phones at least once every 10 minutes, even without being prompted by a notification.²⁰ Thus the opportunity for brands to continue engaging customers has never been more compelling. Even at 82.7 percent awareness across eight diverse and competitive markets, this is an exciting proposition for continued global expansion for both existing and new Chinese mobile applications.

²⁰ 'Me, my life, my wallet', KPMG International, November 2017, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>







Chinese brands going global – business opportunities for SMEs

Over the past decade, China has been a positive force for global prosperity, accounting for the single largest contribution to global growth of any country.²¹ Now, China's transition to an innovation-intensive, consumption-led economy has the potential to inject new dynamism into the global economy. In particular, 15 provinces have been leading this transition and now account for more than 90 percent of Chinese exports from January to June 2018 based on value.²²

With the implementation policies designed to facilitate the country's economic restructuring and achieve a higher quality of development – i.e. emphasising the quality and efficiency of China's growth, rather than its speed – Chinese authorities are seeking to ensure China's long-term prosperity and the development of a “moderately prosperous society in all respects”, the goal of the 13th Five-Year Plan.²³

This ambitious reform programme aims to help companies and sectors face the challenges and capture the opportunities brought by the country's economic restructuring process. It also means that Chinese companies with a global market strategy should ensure their approach is consistent with these policy objectives. Rapid growth should be tempered with considered planning, risk mitigation and an eye on ‘going out’ in search of advanced technologies and expertise that can help them move up the value chain, and become more competitive in the domestic and international markets. In this way, ‘going out’ can also contribute to the implementation of supply-side structural reform, as companies can leverage the experience they have gained internationally to catalyse indigenous innovation.

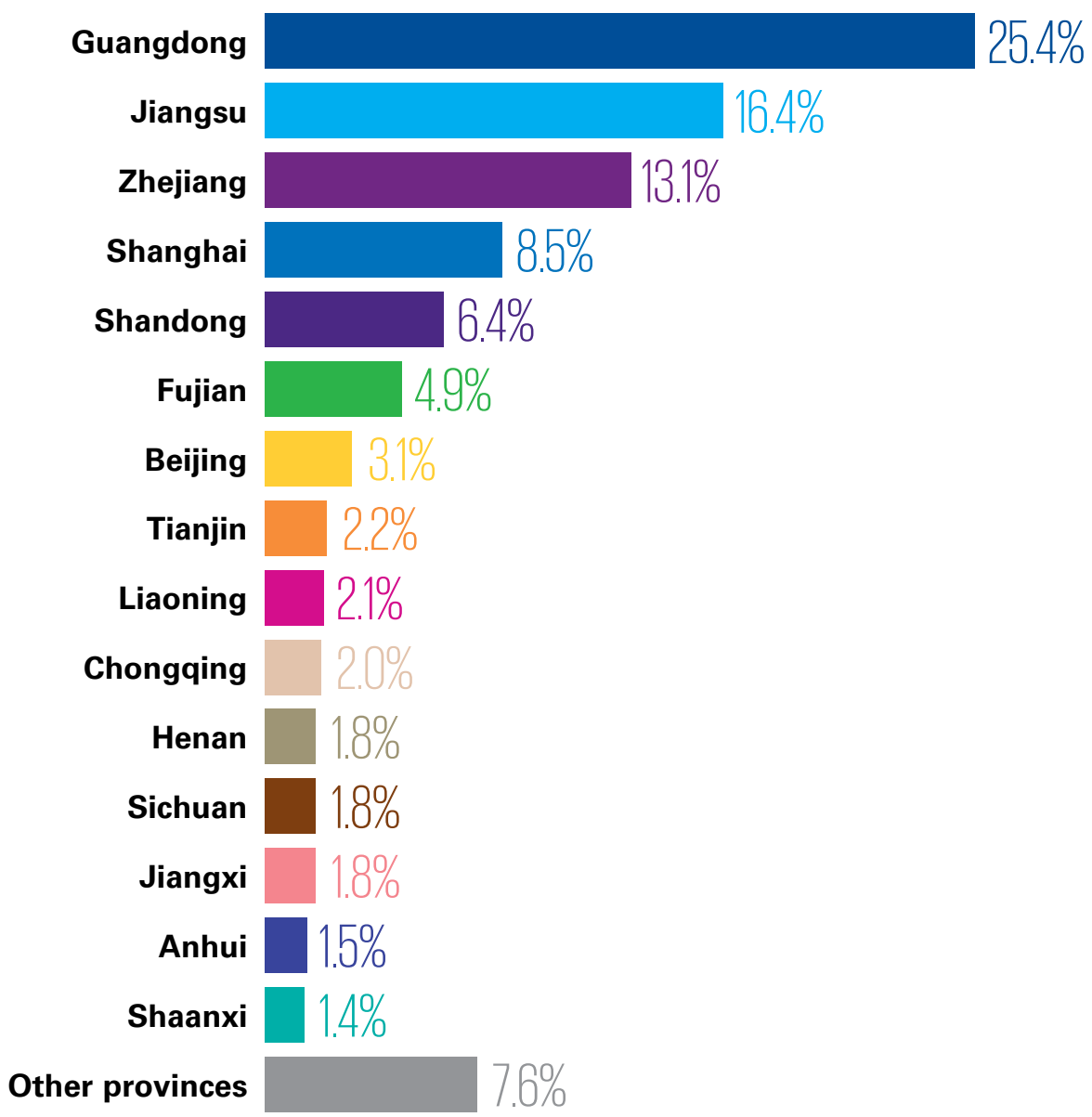
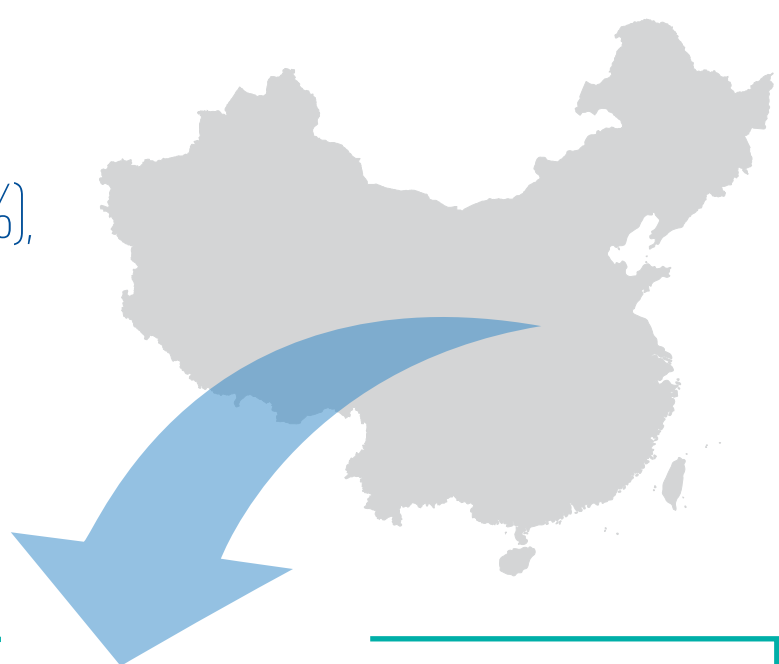
Despite the risks, the changing environment offers a multitude of opportunities. While foreign companies can accelerate their investments into China to help them grow and expand, Chinese companies – both large corporate and small to medium enterprises (SMEs) – can strategise and take appropriate action to build a global brand. Tsinghua University's Head of the Institute of Internet Industry, Yan Zhu, agrees that it is not only China's largest brands that are ripe for global expansion opportunity, but also the country's plethora of SMEs. Yan believes that with technology upgrades and innovations in business models, a wave of SMEs possess the capacity to successfully go global within the next 10 years. This presents a window of opportunity for domestic companies to diversify their portfolios and asset allocations, enabling them to be truly representative of the term ‘global’.

²¹ 'The World Bank in China', The World Bank, accessed on 16 August 2018, <http://www.worldbank.org/en/country/china/overview>

²² 'Imports and Exports by Location of Importers/Exporters', General Administration of Customs People's Republic of China, 2 August 2018, <http://english.customs.gov.cn/Statics/17ef554e-88f4-4477-b695-ba1550499beb.html>

²³ 'The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016-2020)', NDRC, March 2016, <http://en.ndrc.gov.cn/policyrelease/201612/P020161207645766966662.pdf>

Top 15 Chinese provinces and municipalities by export value (%), January to June 2018



Source: 'Imports and Exports by Location of Importers/Exporters', General Administration of Customs People's Republic of China, 2 August 2018, <http://english.customs.gov.cn/Statics/17ef554e-88f4-4477-b695-ba1550499beb.html>



Thought leader:

Yan Zhu

**Head, Institute of Internet Industry,
Tsinghua University**



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Institute of Internet Industry, Tsinghua University

SMEs embark on promising overseas ventures, following famous brands in China

SMEs going out at just the right time

The ongoing deepening of regional economic cooperation, the process of outbound investment becoming easier and faster, and the acceleration of restructuring the global supply chain, industry chain and value chain in recent years have presented a good opportunity for SMEs to go out. According to the 19th National Congress of the Communist Party of China (CPC) report, “We should pursue the Belt and Road Initiative as a priority, give equal emphasis to ‘bringing in’ and ‘going global’, follow the principle of achieving shared growth through discussion and collaboration, and increase openness and cooperation in building innovation capacity. With these efforts, we hope to make new ground in opening China further through links running eastward and westward, across land and over sea.”²⁴

Meanwhile, the development of the internet and other technologies also facilitates SMEs’ ability to go global. As President Xi Jinping said, “We will support the innovation of SMEs and encourage the commercialisation of scientific and technological achievements”, and “promote the deep integration of

the internet, big data, and artificial intelligence with the real economy.” In addition, the 13th Five-Year Plan on China’s National Informatisation also discusses “building a global informatisation cooperation service platform and accelerating the construction of an online silk road.” It is therefore clear that both the policy environment and the technical conditions have provided strong support for SMEs in China to go global.

The characteristics and key needs of SMEs for their cross-border business

Economic globalisation provides a way for SMEs in China to acquire overseas distribution networks, and leverage economies of scale. Previously, China focused on scale expansion, which relies on demographic dividends and resource endowment, and created huge economic value. As this development is demand-driven, SMEs were not focusing on innovation. In addition, SMEs restricted in terms of scale and technology have focused more on areas such as manufacturing and marketing, mainly offering low-cost, low-tech input and low value-added products and services, which places them in the middle to low end of the global value chain.

²⁴ ‘Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era’, Xinhuanet, 18 October 2017, http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

Over the past decade, the deepening global value chain has enabled SMEs to collaborate with a network of entrepreneurs and large enterprises in a flexible manner. As the consumer market is stable for companies exporting their products and services, the majority of SMEs still use more traditional marketing methods. Moreover, as there are substantial differences between the economy and culture in China and other countries, SMEs have been working hard to adapt to local characteristics, respect local culture and satisfy local needs.

In the future, with technology development and business innovation, SMEs are expected to transform to high-tech input and high value-added business models. The global expansion of digital products, the software industry such as gaming, and the cultural innovation industry are gaining attention worldwide.

By localising and customising products for overseas markets, SMEs resonate with overseas consumers to further enhance brand value. Online platforms such as Facebook will play an increasingly important role by providing innovative ways to market products. In addition, as SMEs tend to be small and vulnerable to various risks, they have more need for financing and logistics.

Looking ahead, SMEs will benefit from government policies and technological developments. They will further enter and serve more overseas markets by offering relevant products and services. This will enhance the influence of Chinese brands, improve marketing, serve the global market, and contribute to China's economic transformation.







Going global and ensuring market diversification

The case for market entry

As companies look to grow, they can focus on either market development or product development. With the support of enabling government policies and depending on macroeconomic conditions, market development through market entry of existing brands and products should be a key growth strategy for Chinese brands.

Overseas markets present a potential new customer pool to be tapped into:

Table 15: Sample indicators across select countries

	 Internet population (million)	 Digital shoppers (million)	 Smartphone users (million)
Australia	21	12.1	14.6
Brazil	113.7	80	49.1
Canada	28.9	21	20.3
France	48.7	42.9	29.8
Germany	63	52.6	42.3
Malaysia	20.6	16	10.1
Philippines	53.7	25	26.2
Thailand	26	14	10.1
UK	51.3	42.9	38.3
US	259.7	205	190.5

Source: 'Going Global with Facebook', Facebook, 2016, https://newsfeed.cz/wp-content/uploads/FBGuide_Cross_Border_Business_Handbook.pdf

Figure 6: New market entry strategies



Source: KPMG China methodology

As well as providing an opportunity to generate additional revenue, going global creates economies of scale, and leverages existing investment and R&D. It also enables companies to take a 'Blue Ocean Strategy' approach – moving from crowded local markets to new underserved markets, and lowering overall portfolio risk by playing on the different economic cycles of each country.

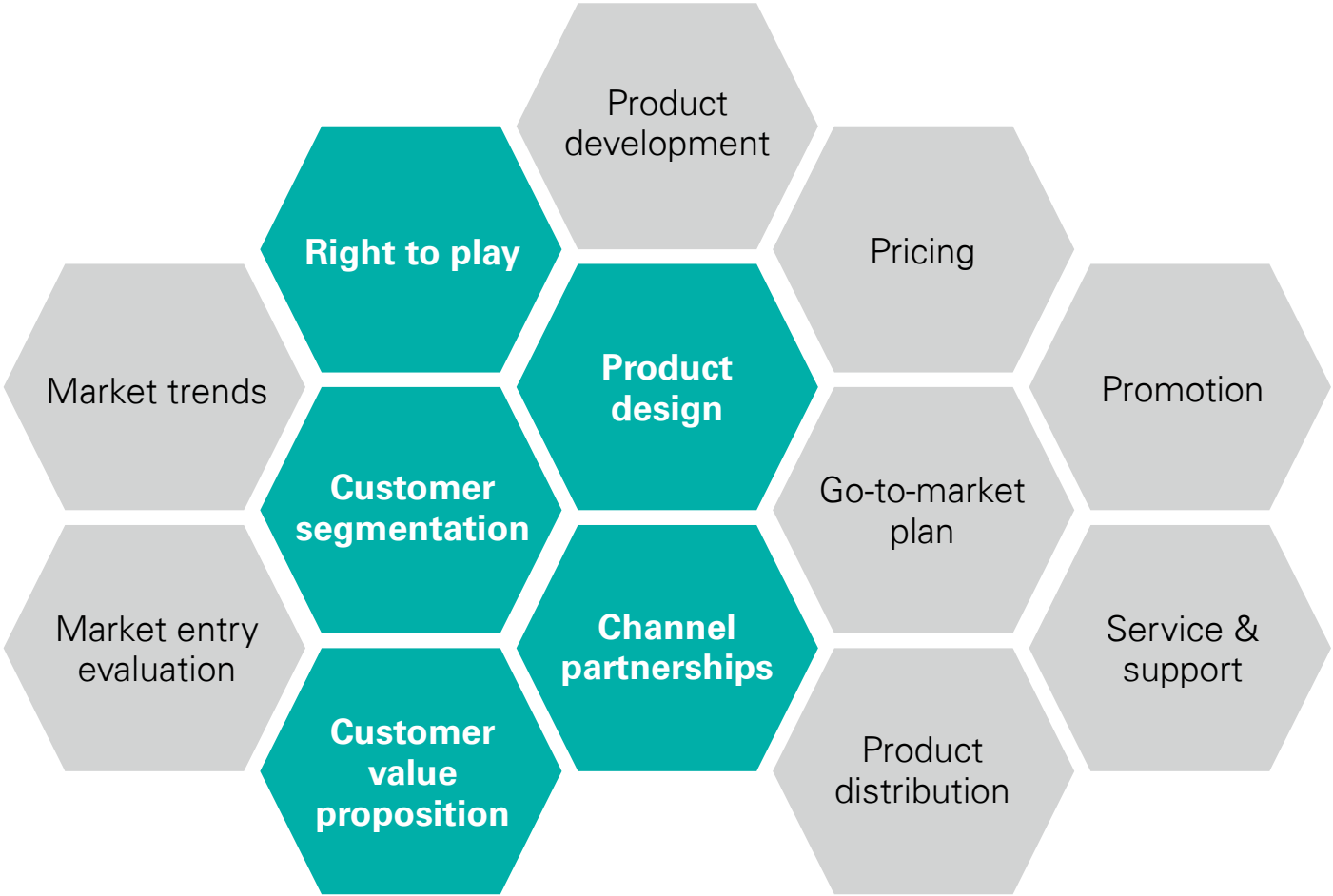
However, implementing a global strategy also means addressing new risks:

- Rapid expansion may divert attention and talent from existing markets, and spread resources too thin.
- Although diversification can be a catalyst for increased revenue, it can also impact cash flow during the setting up phase.
- Ongoing operating costs may divert funding from research and product development.

To help address these risks, planning and execution of market entry should be done in a structured manner. This section focuses on key considerations for companies in the following areas:

- Gaining the 'right to play' in new local markets
- Customer segmentation
- Customer value proposition
- Product design
- Channel partnerships

Figure 7: Brand design considerations for new market entry



Source: KPMG China methodology



Brand permission and the right to play in a new market

Going global also means going local. As each country, market, demographic and culture is different, brands looking to capture greater audiences and a larger market share must tailor their strategies to match specific cultural preferences and appetites.

In many markets, the first consideration of entry is how to address different and sometimes onerous local regulatory controls. This can include obtaining requisite licences, registrations and permissions such as company name registration, safety standards, product labelling, food handling, building codes, and ensuring consumer protection law adherence, which can require significant time to identify and address. Similarly, obtaining bank accounts and visa work permits, transferring funds, signing leases and understanding joint venture ownership rules are also mandatory conditions to have a 'right to play', though these can be complex and time-intensive.

In addition to these regulatory rights to play, companies should also consider how they will obtain brand awareness and brand permission. Scott Kronick, Chief Executive, Public Relations & Influence, Asia, Ogilvy, notes that if nobody knows you in a new market, then your product is not yet a brand. This highlights the challenges that brands encounter when they try to extend and cater to individual markets. A successful global brand is considered to be one that can operate in local markets alongside domestic peers.



The opportunity of local positioning to address new customer segments

As brands internationalise, companies must consider how – or if – they will adjust their customer value proposition to include more than just their own expatriates abroad, such as Chinese brands targeting Chinese consumers overseas. Some companies take a strategy of using heritage and language as the demographic for segmentation, only to find that to use these connections often requires a recent cultural connection.

Similarly, serving customers based only on shared national, cultural or language grounds ignores other larger demographics in markets. As such, to gain more geographical relevance, brands must strive to meet the expectations of different customers, providing each with a personalised journey and experience. Personalised experiences can include tailored online product recommendations and advertisements, and sales and service support in local languages. Personalisation can also extend to product design, such as changing the shape and size of packaging, or developing a distribution strategy where the product is available in a variety of different channels. This requires that companies develop a deep understanding of the brand attributes valued by customer segments in the market, their buying preferences and behaviours, as well as how competitors are positioned.

The brand's purpose in defining the customer value proposition

This customer segmentation will inform the customer value proposition strategy. Brands need to have a clear position on answering the questions “What is the brand’s purpose?” and “What can the brand bring to that specific market?” To enter a new market, it is critical to address these questions for the target market, as a brand’s priorities and competitive advantage in one country may not be the same in another. In fact they are often very different – even in countries with a shared border.

Brands that successfully address these questions and clearly define their purpose are more likely to meet various regional market demands in more meaningful ways. Stronger branding enables greater margins, as well as an emotional connection with the customer.



Eva Ng
Head of Client Global
Expansion, Nielsen
Global Market Groups

“ *In order to successfully ‘go global’ and ensure sustainable future growth in new markets, Chinese businesses must ‘go local’ with strategies that reflect consumer and market trends. Each market presents unique consumer attitudes and behaviours. For example, Chinese businesses should look to develop sales and distribution analytics to prioritise geographical areas or stores.* **”**

Creating a brand personality

To make a deep and meaningful emotional connection with customers, brands need to establish a clear identity, and articulate their value, how they are perceived and how it makes the customer feel. For customers, what they wear or use says something about them as individuals. This is the brand's personality. Companies must therefore consider if they will develop local personalities to help build connections with their target audience, generate a better reputation, and enhance loyalty and trust. Some brands, such as Sweden's IKEA, do not localise; however, for most, localisation will be required.

For brands that use price or number of technical features as differentiators, entering a new market is an opportunity to redefine brand personality, and provides a pathway to greater profitability. According to Chibo Tang, Managing Director, Gobi Partners, emerging markets such as Southeast Asia have a growing class of consumers who are less knowledgeable about established international brands. Combined with a high tolerance for new brand acceptance – and either a robust sense of value for money or an urge to splurge – astute companies have the unique opportunity to reposition their brands completely. In some cases, companies are able to reposition from a lower tier brand in domestic markets to become an aspirational brand abroad. In others, if there is a strong incumbent with a prestige brand, companies can enter with a lower cost product to acquire market share and awareness early on, before introducing higher end products down the line.

The power of channel partnerships

In addition to having a distinctive brand personality, brands should also consider the channels and trusted partners that can help them globalise. This includes all partnerships along the value chain – from local manufacturers, the channels and e-commerce platforms used, and local celebrities and partnership forms, to the distribution and logistics suppliers used, and service and support providers – in order to provide a frictionless experience for customers.

To adapt to differentiated markets, brands should also be flexible with these partnerships – sometimes by country, in other cases by state, region, province or even city. This can help large corporates lower the risk of market entry, but also significantly accelerate the global expansion of small and medium enterprises which would not otherwise have the resources to expand.

Successful brands going global therefore look to both recruiting local staff who are keenly aware of local market dynamics, and supplementing that with other partners in the value chain to boost their market presence. Executing this effectively helps establish credibility, reliability and integrity. It can also play a vital role in consumer feedback and product innovation to meet local market demands. The stronger the brand, the greater its capability to continue hiring the right people to drive growth.

In addition to physical presence and product fulfilment, channel partner selection should consider how it will help support the delivery of a positive customer experience. Even with the best products, personality and purpose, a brand would not be able to successfully globalise without the ability to provide a compelling customer experience.

On the contrary, for brands in emerging markets that want to expand, Scott Kronick believes that “it is essential for (companies) to be present, and be present with the right partners.” In other words, they should connect with reputable people and companies that will help protect and grow the brand, make sure that they understand the brand’s values and standards, and be willing to work together to operate and expand the brand overseas.



Customer centricity



In this era of disruption, geopolitical, demographic and technological revolutions are changing how companies run. As the modern world rapidly evolves, it is crucial for companies to transform, adapt and be dynamic.

The 21st century has also witnessed a transfer of power from companies to customer. With a growing number of emerging and redefined brands, customers have more choice than ever before. In other words, they have gone from being passive to active – from accepting what the brands give them, to piloting what the brands produce for them. While brands used to ‘push’ their products, they now focus on ways to ‘pull’ the customers in. Instead of developing and distributing products that are based on assumptions about customer desires, companies must use data-driven insights to refine and verify their understanding of what customers want, personalise products and channels, and provide new ways of engaging customers.²⁵ Therefore, in order for brands to attract and retain loyal customers, it is no longer just about what companies can invent, but rather whether they can provide flawless customer experiences to satisfy evolving demands.

There is also compelling economic value to customer experience, with better business outcomes undoubtedly linked to positive customer experience. Top companies that deliver customer experience excellence enjoy up to 54 percent greater revenue than their non-customer-centric competitors.²⁶ Today, customers are truly at the heart of companies’ success. To fully gauge their pulse, companies need to understand three important elements:

- *Who* their customers are
- *What* their customers consider when making decisions
- *How* they can provide customers with the best possible experiences

As companies look to globalise, it is important to identify and quantify these differences in and across contrasting countries and markets. Doing so enables businesses to strengthen connections with customers, and enhances their relevance in their industries.

²⁵ ‘Me, my life, my wallet’, KPMG International, November 2017, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>

²⁶ ‘KPMG Global Customer Experience Excellence Report’, KPMG International, June 2018, <https://home.kpmg.com/xx/en/home/campaigns/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach-in-a-changing-world.html>

Customers across generations



Key themes for baby boomers and Generation X

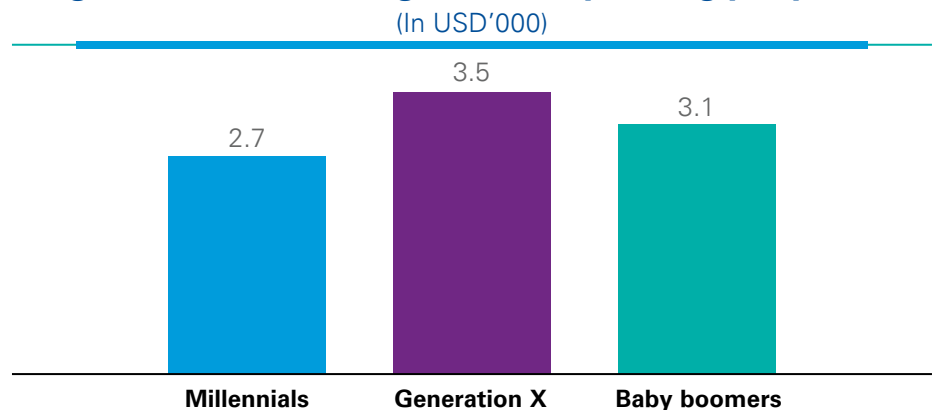
- Higher spending power
- Adoption of new technologies through behavioural transfer
- Utilising e-commerce

As companies pursue opportunities, it is important to understand the age demographic differences in different markets. The buying behaviour, spending capacity, and influences across baby boomers and Generation X, millennials and the emerging post-millennials, are significant in their own right. Importantly though, even within these groups, there are profound changes across countries.

The baby boomers and Generation X

While millennials are often seen as the most important customer group and grab the attention of marketers, so too are their predecessors: the baby boomers (1946-1964) and Generation X (1965-1980).²⁷ For all the buzz around millennials and how they have powered the rise of the internet and popularised online shopping, it is in fact baby boomers who average 15.1 transactions and spend USD 3,100 per annum, and Generation X which averages 18.6 transactions and spends USD 3,500.²⁸ In contrast, millennials average 15.6 transactions per year, but spend only USD 2,700.²⁹

Figure 8: Global average annual spending per person



Source: 'The truth about online consumers', KPMG International, 2017

Understanding buying behaviour is important because as spending capacity increases, brands must meet customers' expectations and demands. It also provides a glimpse into how economics and financial considerations are interconnected with technological advancements, regardless of one's generation.

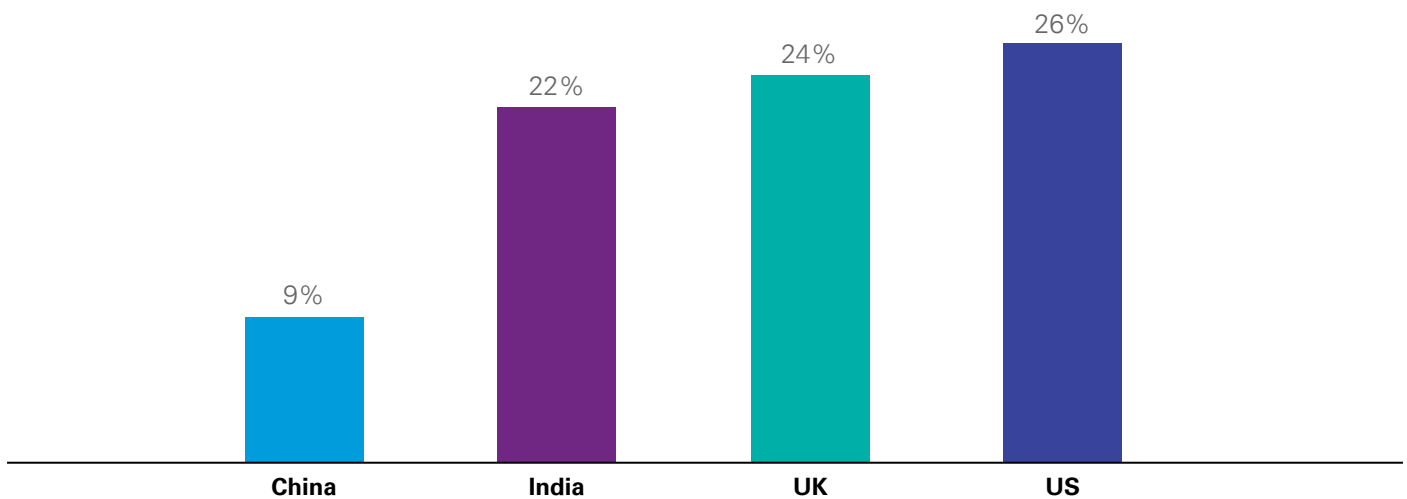
²⁷ 'Defining generations: Where millennials end and post-millennials begin', Pew Research Centre, March 2018, <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>

²⁸ 'The truth about online consumers', KPMG International, May 2017, <https://home.kpmg.com/xx/en/home/insights/2017/01/the-truth-about-online-consumers.html>

²⁹ Ibid

One reason for this convergence is behavioural transfer, i.e. baby boomers and Generation X are adopting the behaviours of millennials. The concept of behavioural transfer has become more prevalent in recent years due to a combination of technological advancements and the global surge in the number of millennials still living with their parents: 34 percent in China, 68 percent in India, 24 percent in the UK and 25 percent in the US.³⁰ By living at home, millennials can introduce and impart information on technology and media to Generation X and baby boomers.

Figure 9: Technology adoption lag in baby boomers



Source: 'Me, my life, my wallet', KPMG International, 2017

The technology adoption lag in baby boomers is significantly lower in China (9 percent) than in other markets such as India (22 percent), the UK (24 percent) and the US (26 percent),³¹ meaning that this demographic group is more technologically savvy. Chinese companies must therefore consider their global strategy and the differences in readiness of technology adoption across countries. Increased education may be required in other markets, while user interfaces and sales and support channels may need to be considered and localised if the brand is to be relevant.

³⁰ 'Me, my life, my wallet', KPMG International, November 2017, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>

³¹ Ibid



Key themes for millennials

- Digital native
- Online influenced
- Socially conscious

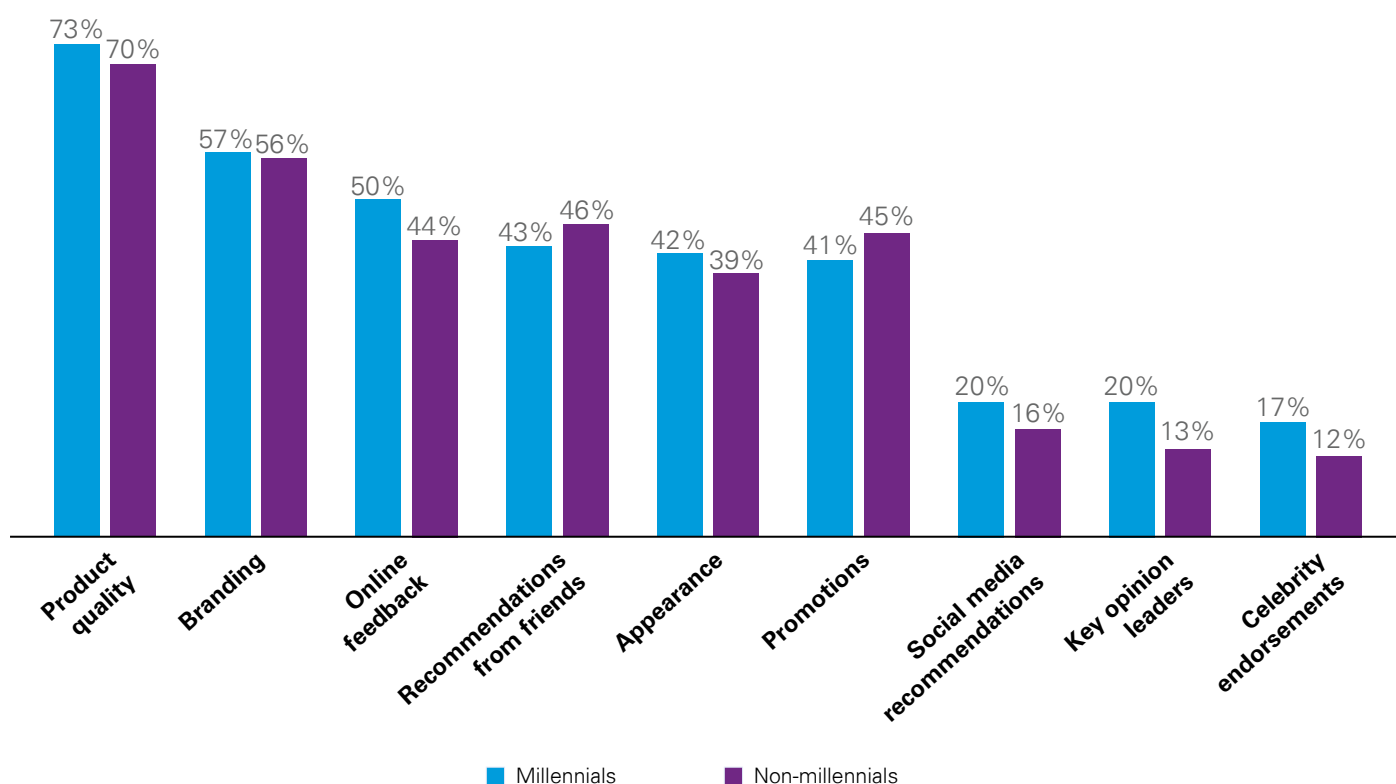
Millennials

Born from 1981 to 1996, millennials have been pioneers of the digital age.³² Predicted to become the world's largest demographic group by 2020, this cohort will soon dominate the markets and consumer bases.³³ As such, it is integral that companies start catering to this group by understanding their lifestyle, values, priorities and consumption behaviours.

Several distinct characteristics define millennials. First of all, millennials are 'digital natives' – they are reliant on their phones, devices and online platforms. In fact, statistics show that even without being prompted by any notifications, 30 percent of millennials glance at their mobile phones at least once every five minutes.³⁴

Millennials are the first generation to move away from traditional, physical print and broadcast mass media to get their information. For example, they prefer to use digital media to access information about luxury products, mainly through their mobile devices (68 percent) or their computers (56 percent).³⁵ This change provides Chinese brands with continuous opportunities to engage new and existing customers globally, although less frequently than they may expect at home, as seen below.

Figure 10: Shopping influences of millennials vs non-millennials



Source: 'China's connected consumers', KPMG China, 2017

³² 'Defining generations: Where millennials end and post-millennials begin', Pew Research Centre, March 2018, <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>

³³ 'Me, my life, my wallet', KPMG International, November 2017, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>

³⁴ Ibid

³⁵ 'China's connected consumers: The rise of the millennials', KPMG China, December 2017, <https://home.kpmg.com/cn/en/home/insights/2017/12/china-s-connected-consumers.html>

Another emerging trend in the buying behaviour of millennials compared to older generations is the influencers they turn to before making a purchasing decision. Product quality and branding are the primary factors influencing buying decisions.³⁶ Whereas non-millennials seek recommendations from friends, as well as promotions, millennials accept a broader base of influencers, including online feedback from unknown sources, social media recommendations, key opinion leaders (KOLs), and celebrities.³⁷

As brands expand, they must consider which KOLs and celebrity forums are most influential. They should build strategies to ensure their presence and coverage, and more importantly, to leverage data from these sources to drive product design and respond to feedback. This is dependent on sustained promotion by non-traditional influencers – companies need to keep in mind that each market and consumer base is different, hence will need to develop business strategies for each segment.

Aside from their affinity for technology, millennials also greatly value social awareness. They are passionate about social and environmental efforts, and are more willing to make sacrifices in order to create social impact. A study on millennials by the Shelton Group in 2017 found that 90 percent of millennials would buy from a brand if they trust its environmental and social practices, and 95 percent would recommend that trusted brand to other people.³⁸

Key themes for post-millennials

- Multitaskers
- Constantly connected
- Digital connectors

Post-millennials

The successors to millennials will soon approach working age. Known as the post-millennials, Generation Z, iGen and more, this generation includes those born from 1997.³⁹ Some have even nicknamed this generation ‘the Screenagers’, given that they were born into the digital world – they never experienced life without smartphones, tablets or social media. While this generation is still young, there are already some indications that they are different from older generations, even millennials.

Post-millennials are very digitally connected, living in a continuously updating world, forced to always be ready for change. Growing up in such a world, post-millennials are multitaskers: they can be video-chatting a friend from their mobile, sitting in front of the TV, and looking at notes on a tablet, all while writing an essay on their laptop. They greatly value both work and play, and constantly try to balance the two.

All in all, post-millennials are a unique cohort. In addition to having Generation X parents and millennial siblings as their role models, they have also developed their own characteristics and worldviews based on their ever-changing surroundings. Such distinctions are crucial for companies to acknowledge and act upon: while post-millennials may not yet be your customers today, they might very well be your customers tomorrow.

³⁶ Ibid

³⁷ Ibid

³⁸ ‘Millennial pulse’, The Shelton Group, June 2017, <https://storage.googleapis.com/shelton-group/Pulse%20Reports/Millennial%20Pulse%20FINAL.pdf>

³⁹ ‘Defining generations: Where millennials end and post-millennials begin’, Pew Research Centre, March 2018, <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>



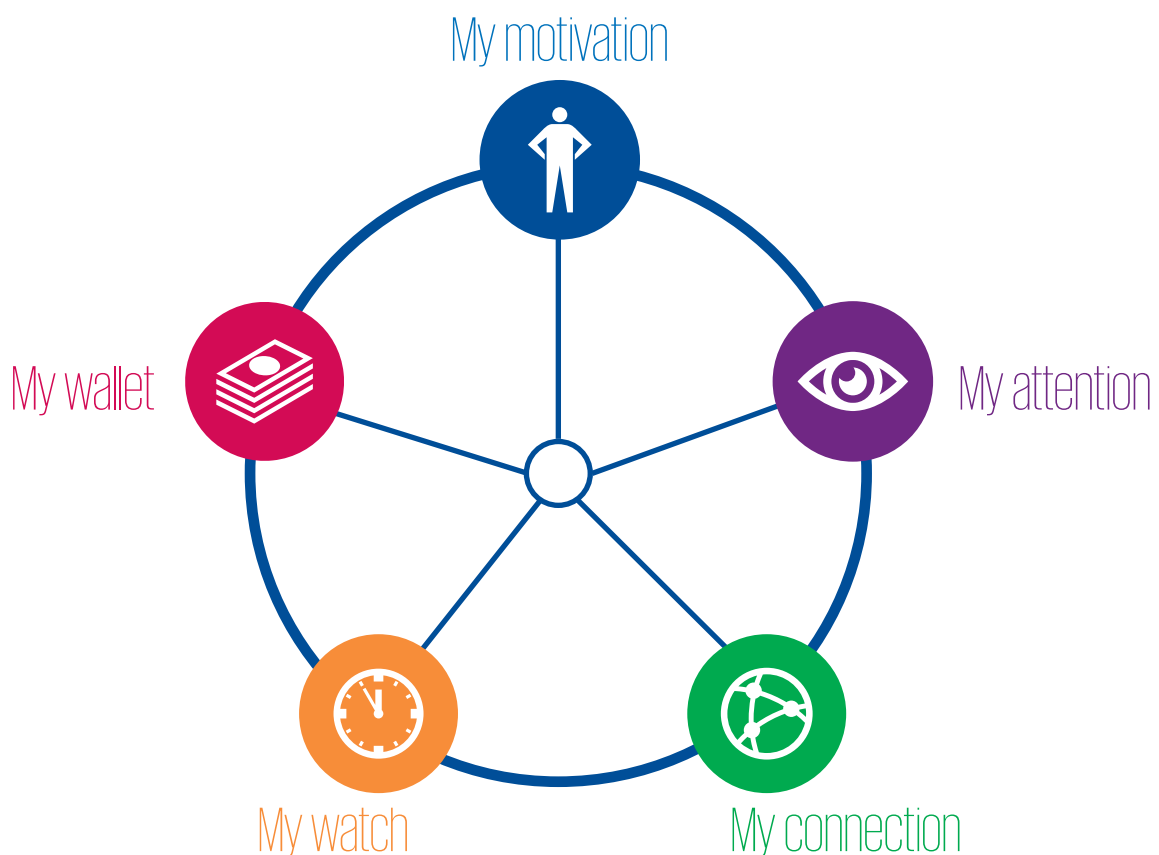


Customer decision-making: Understanding the Five Mys

Despite the different age demographics, there are also other important areas that companies must consider to make sure they are able to meet the expectations of today's more empowered customers. One such area is customer decision-making, an intricate and complex process that not even transactional data and market research can fully explain.

KPMG has constructed five key dimensions, known as the Five Mys, to help companies understand and navigate the commonalities behind customers' decision-making. While each of the Five Mys tells a separate story, companies are encouraged to look at them collectively – only then can they understand the full breadth of insights regarding such drivers behind customer behaviour.⁴⁰

Figure 11: The Five Mys



Source: 'Me, my life, my wallet', KPMG International, 2017

⁴⁰ 'Unless specified, the contents of 'Customer decision-making: Understanding The Five Mys' section is based on KPMG's *Me, my life, my wallet*, which can be downloaded through this link: <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>.



My motivation

My motivation refers to the characteristics that affect customer behaviour and expectations. From a customer's point of view, this dimension comes into play whenever companies show that they know them, care about them and value them. On the other hand, knowing what customers value in an experience can actually help companies eliminate any wasted investments, as they can solely focus on putting effort into what they know is important and will make a significant difference to the customers.



My attention

My attention is about the different ways that customers direct their focus, and how they can be drawn in. For customers, this is about how companies separate themselves from the rest by trying to build personal relationships with each customer. Companies can also benefit greatly from understanding this dimension because by knowing how to attract customers' attention, they can then pinpoint specific important moments for each customer that would maximise return on investment.



My connection

My connection represents how customers connect: to each other, to information, to devices, and so on. From the customers' point of view, this is about whether companies can recognise the ways that consumers utilise technology to interact with those around them, and how they can help them make these digital connections even easier.

Additionally, with more and more people using their devices as their digital wallets – 88 percent of people in China use WeChat or Alipay for payments – the trend in offloading our lives to the digital world is increasingly prevalent. This dimension is therefore important for companies because it pushes them to embrace big data in order to generate valuable insights about their customers, interactions, networks and more.



My watch

My watch addresses how customers deal with the trade-off between time and money. For customers, this refers to how well the companies can help them make the most of their time, given the constraints and limits of this resource. Companies that successfully grasp each customer's trade-off between time and life events will be able to engage them at the important moments, thereby leading to greater opportunities that build customer loyalty.



My wallet

My wallet introduces the idea of how customers adjust their usage of money across their lifetimes. From the customers' point of view, this is about whether companies understand how they make decisions based on time and money. The more that companies can decipher the trade-offs that their customers make between money and time, the better that companies will then be able to spot their best future customers and their expectations.

By understanding the Five Mys of customer decision-making, companies can therefore tailor their strategies to create more personalised customer journeys across different markets and demographics. This brings value to both the companies and the customers, creating a mutually beneficial environment.

The Six Pillars of customer experience excellence

Aside from just considering aspects behind the customer decision-making journey, companies must also understand how they can best draw them in – through customer experience excellence. The most successful companies are those that acknowledge the benefits behind customer experience, and then take action to ‘unlock’ them.

Through eight years of research that included over 2 million brand assessments, KPMG has defined and verified the characteristics of excellent customer experience.⁴¹ Named The Six Pillars, these fundamental elements of customer experience not only inform companies of effective customer strategies, but can also lead to eventual commercial success. By incorporating The Six Pillars into their customer-centric approaches, companies can capture greater customer loyalty and advocacy, driving sales and profitability, and gain a competitive advantage over the rest of the industry.



Personalisation

Using individualised attention to drive an emotional connection



Integrity

Being trustworthy and engendering trust



Expectations

Managing, meeting and exceeding customer expectations



Resolution

Turning a poor experience into a great one



Time and Effort

Minimising customer effort and creating frictionless processes



Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport

Source: 'KPMG Global Customer Experience Excellence report', KPMG International, 2018

⁴¹ 'Unless specified, the contents of 'The Six Pillars of customer experience excellence' section is based on KPMG's *Tomorrow's experience, today: Harnessing a customer first approach in a changing world – KPMG Global Customer Experience Excellence report*, which can be downloaded through this link: <https://home.kpmg.com/xx/en/home/campaigns/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach-in-a-changing-world.html>.



Personalisation

Personalisation is identified as one of the key drivers of customer experience. It requires companies to show their customers that they know them, value them, understand their preferences, and will provide them with individualised attention to better serve and adapt to them.



Integrity

Integrity refers to companies' organisational behaviours: can they consistently show trustworthiness? Companies that cultivate integrity are those that focus on creating excellent first impressions so as to establish trust early on; stand for more than just profit for shareholders; have competent, likeable and engaging employees; and consistently deliver on the promises they make to their customers.



Expectations

Customers' expectations are constantly changing, and are guided by top brands. In order to possibly exceed customers' expectations, **companies must interact with their customers to understand their expectations, accurately set and manage customers' expectations, understand where and when to step in during the customer journey, and provide customers with open and honest information in a timely manner.**



Resolution

Resolution specifically addresses companies' processes and responses to customers when obstacles occur. **The best companies are those that can take clear ownership of issues, provide accurate and honest answers to their customers, react immediately to customer problems, and put the customers in the position to resolve the problems themselves** if they prefer to, while ensuring that customers feel good about their experience.



Time and Effort

Time and Effort is about the customers' time constraints, while also demanding instant gratification. To use time as their competitive edge, **companies must make the customers' time pleasurable, remove any unnecessary impediments in the customer journey, inform the customer on the time investment that they need to make in order to satisfy their wants and needs, and advise customers on the next steps and possible challenges.**



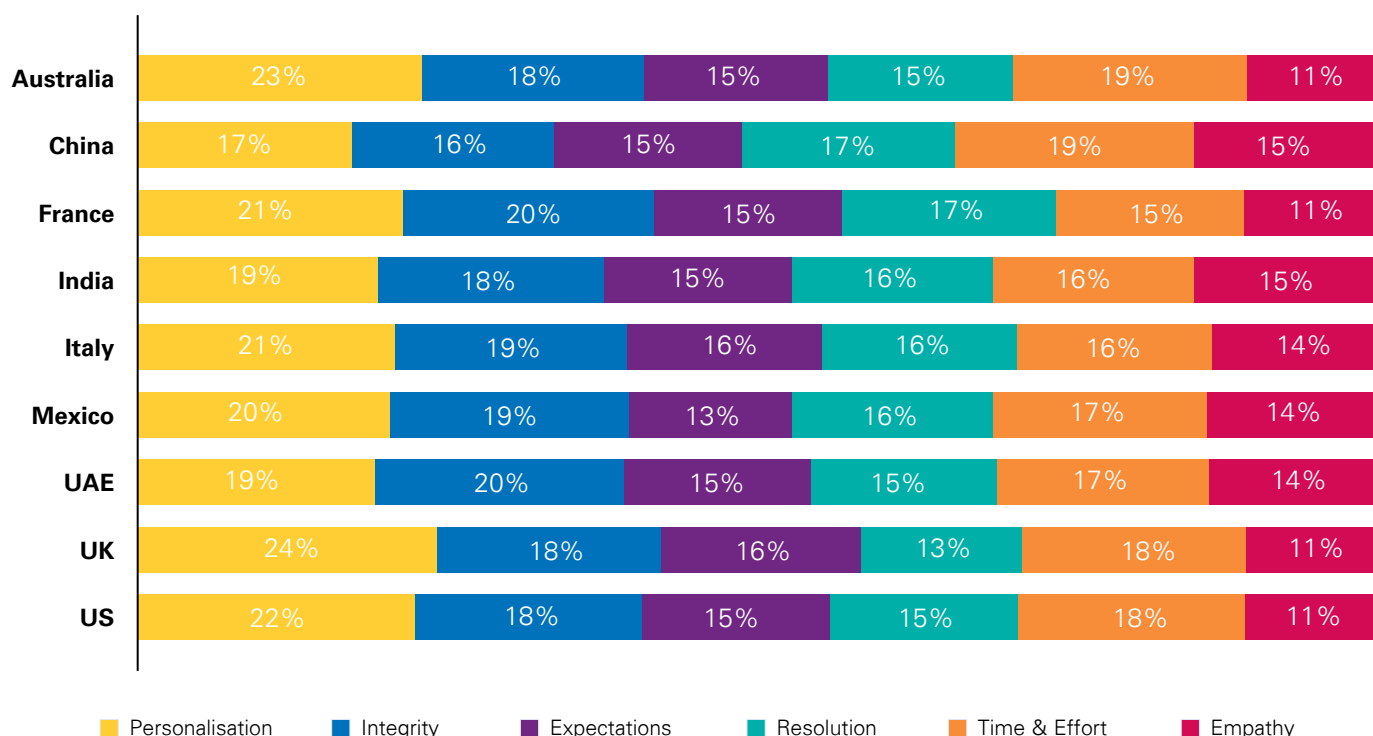
Empathy

Empathy is defined as companies' ability to understand the emotions that their customers encounter throughout their journey. In order to show customers that they share their feelings, **companies must establish emotional connections** with them, provide appropriate responses based on their specific emotional needs, show that they genuinely care, and prioritise them by listening to their comments and feedback.

The Six Pillars: Impact on loyalty across geographies

To understand how these Six Pillars impact customer loyalty, a recent KPMG survey asked global respondents to determine the likelihood of repurchasing from their respective country's brands, with the Personalisation pillar proving to be the most important aspect that affects customer loyalty globally.⁴²

Figure 12: Impact of The Six Pillars on likelihood to repurchase



Source: 'KPMG Global Customer Experience Excellence report', KPMG International, 2018

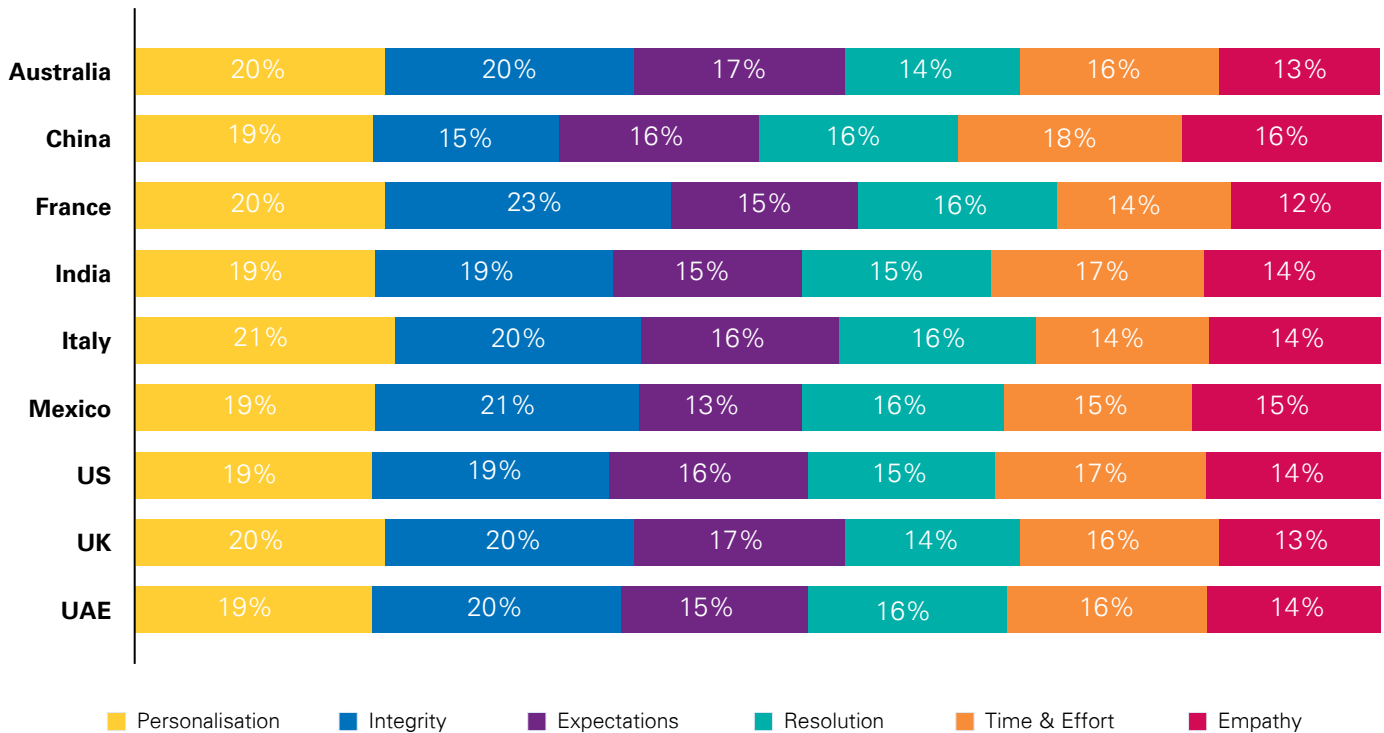
⁴² 'KPMG Global Customer Experience Excellence Report', KPMG International, June 2018, <https://home.kpmg.com/xx/en/home/campaigns/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach-in-a-changing-world.html>



The Six Pillars: Impact on advocacy across geographies

The same KPMG survey also sought to understand how The Six Pillars affect customer advocacy, asking respondents to rate the likelihood that they would recommend these top companies to other people.⁴³ The data is shown below, with the Integrity pillar proving to be the most important pillar globally in terms of affecting customer recommendations.

Figure 13: Impact of The Six Pillars on likelihood to recommend



Source: 'KPMG Global Customer Experience Excellence report', KPMG International, 2018

For Chinese companies looking to go into different markets, these figures show how consumers across the world have divergent preferences and priorities that affect their consumer behaviours. In addition, companies must also keep in mind that their customers could interpret the Six Pillars differently – whether it be due to cultural or environmental circumstances. For example, personalised service in one country may not translate equivalently to another country. Therefore, it is not just about which pillar is more or less important in establishing customer loyalty and advocacy, but also how companies can best fulfil and deliver their services to the diverse customers in various markets and countries.



⁴³ 'KPMG Global Customer Experience Excellence Report', KPMG International, June 2018, <https://home.kpmg.com/xx/en/home/campaigns/2018/06/tomorrows-experience-today-harnessing-a-customer-first-approach-in-a-changing-world.html>

The background of the page is a dark, textured surface with various business-related terms and symbols drawn in a light, chalk-like font. These include 'sale' with an upward arrow, 'price' with a downward arrow, 'strategy' with a branching arrow, 'customer' with a stick figure, 'winning' with a checkmark, and 'satisfaction' with a smiley face. Arrows of various directions are also scattered throughout.

The main takeaways of customer centricity

In today's world, companies that wish to stay relevant and competitive, and expand globally, must adopt customer-focused business strategies. In more tech-fuelled economies, aspects such as customer loyalty and support increasingly matter to the success of brands, helping separate one from the rest. The key to capturing such loyalty, support, advocacy and so on, actually comes from the willingness that companies possess to develop and prioritise customer centricity.

By better understanding the ways that customers differ across generations and demographics, the five elements that customers take into account when making decisions, and the six traits that constitute excellent customer experience, companies should be able to construct more personalised customer journeys, thereby forging stronger connections with their customers.

Ultimately, the most successful companies are those that can utilise such customer data and information to their advantage, striving to continuously evolve so as to meet – and exceed – the distinct expectations set by every customer.

communication



loyalty



customer



opportunity





Thought leader:

Kaitian Zeng

Co-founder, 37 Interactive Entertainment



Spreading traditional Chinese culture through quality games

Overseas revenue from online games developed in China is USD 4.63 billion, a year-on-year growth of 16 percent, which is higher than the growth of revenue from the domestic Chinese market in the same period.⁴⁴ From 2017 to 2021, the estimated annual compound growth rate of the size of the global games market will likely be over 10 percent, and in 2021, the global games market is expected to reach USD 180.1 billion, 70 percent of which will come from the overseas market.⁴⁵

Chinese games face three challenges when going abroad. Firstly, cultural differences across regions have created different user habits – this means that standardised products cannot succeed in all markets. Secondly, there is competition among game companies. Those in Europe, America, Japan and South Korea have had many years of R&D and operational experience, and there is still a gap between Chinese and overseas produced games. Finally, there is a shortage of talent, because local talents are in great demand overseas.

Since going global in 2012, 37 Interactive Entertainment has ranked in the Top 25 global game vendors in terms of revenue. This is because of the deliberate decision to appeal to different demographics, markets and gamer preferences. This has resulted in Western fantasy games such as *Eternal Crusades* becoming bestsellers in many markets, while *Chu Liuxiang*, an Eastern martial arts game, has been successful in Taiwan, Hong Kong and Macau, and *Kunlun Ruins* in South Korea.

Our 'integrated content marketing' strategy combines product and market strategies to maximise the commercial value of their self-developed products and those they represent in overseas markets. We believe that there are three success criteria for Chinese games going global – commercial success, successful brand building, and successful spreading of Chinese traditional culture. In the spirit of 'representing Chinese culture', 37 Interactive Entertainment strives to spread Chinese traditional culture, bringing quality Chinese-themed games made in China to global players.

⁴⁴ The latest data published by GPC and CNG, as at June 2018.

⁴⁵ '2018 Global Games Market Report', Newzoo, June 2018, https://resources.newzoo.com/hubs/Reports/Newzoo_2018_Global_Games_Market_Report_Light.pdf?submissionGuid=93de6638-6c0b-433c-a952-8e6f4971bc3c



Thought leader:

Yue Leng

**General Manager, Tmall Global,
Alibaba Group**



Chinese brands move from 'Made in China' to 'Created by China'

Daniel Zhang, CEO of Alibaba Group, once said, "Chinese goods have been sold abroad for a long time, but Chinese brands are only just starting their journey." In the past, Chinese companies were engaged in original equipment manufacturing, and there were no premium brands; they had low profitability and their reputations were not as good as competitive products of the same quality.

Brand building involves the whole customer experience, including marketing, product selection, logistics, payment, customer service, and more. The time for Chinese brands to go global has come. Tmall Global's vision is to help nearly 2 billion Chinese brands on the platform to sell globally, and through Alibaba's infrastructure, export products to over 200 countries and regions around the world, serving nearly 100 million overseas Chinese. Merchants which satisfy export quality and authorisation requirements can use their existing Tmall stores to sell overseas, without incurring additional operating costs.

Localising products and marketing can help win the hearts of global buyers

To help Chinese merchants reduce operating costs and enhance customer experience, Tmall has established seven overseas operating centres – in the US, Canada, Australia, Malaysia, Singapore, Hong Kong and Taiwan.

True globalisation is extreme localisation. Each overseas market is different. It is necessary to make use of data and other available information to understand the expectations and mindsets of local consumers, in order to design popular models and products. Companies can advertise on popular overseas social media platforms to collect information, conduct precision marketing, improve content and interaction with users, build brand image, and enhance correlation and conversion. In addition, it is important to hire people who understand the local market to lead departments such as operations and customer service.



Thought leader:

Scott Thiel

Partner, DLA Piper



The data law compliance challenge for Chinese businesses targeting foreign markets

When it comes to issues such as data privacy, artificial intelligence (AI) and data analytics, Chinese technology businesses have benefited from a relatively permissive legal environment. This has supported the development of leading technologies that offer highly customised user experiences.

As Chinese companies look to penetrate offshore markets, one of the challenges is how these products or services can be delivered in a way which complies with the fundamentally different data laws in other parts of the world.

Consent is king when it comes to data law compliance in most of Asia, including under China's Cybersecurity Law. Several countries have recently moved away from consent as the preferred compliance strategy, and have instead introduced a requirement for a data controller to establish a lawful basis for what they are doing with personal data. The most important of these is the need for a company to establish that it has a 'legitimate interest' in collecting and processing personal data from individuals.

Europe's General Data Protection Regulation (GDPR), which came into force on 25 May 2018, has been billed as the biggest shake-up of data privacy laws since the birth of the internet. Non-compliance with GDPR can attract very substantial financial penalties – up to 4 percent of the global group turnover or EUR 20 million, whichever is greater.⁴⁶ The turnover calculation includes domestic revenue earned in China, creating a potentially very significant financial risk.

One of the unique aspects of the GDPR is that it regulates companies outside of Europe if they are targeting or collecting data from European residents. It therefore applies to businesses in China if they are selling to customers in Europe, even if they do not have a physical presence or company set up in Europe.

The different data regimes are driving some businesses to create individual country or regional data silos to minimise their compliance risk. This type of local operating model can create other issues, such as how to repatriate remotely developed data assets or intellectual property rights back to China, given the increasing focus on technology transfer restrictions in markets such as the US.

⁴⁶ 'Statement by Vice-President Andrus Ansip and Commissioner Věra Jourová one year ahead of the entry into application of the General Data Protection Regulation', European Commission, 24 May 2017, http://europa.eu/rapid/press-release_STATEMENT-17-1436_en.htm

Global brand and trademark strategy for Chinese businesses expanding to foreign markets

A business's brand is one of its most important assets – and even more so for businesses looking to enter international markets. Because of the unique nature of the Chinese brand environment, Chinese businesses going global can encounter risks and challenges not experienced at home.

The foundation of a global brand is registered trademarks. However, building a global trademark portfolio is a complex and potentially costly exercise. Chinese businesses should therefore prioritise those brands which are of core importance, and decide what goods and services are business-critical. These should then be protected in all of the key countries of interest, taking into account current and future business plans.

Before entering a market, Chinese businesses should conduct thorough trademark clearance searches to ensure freedom to operate in that market, and to identify any legal and practical risks of infringement posed by third parties.

Businesses should consider whether their proposed brands will work in the local market. Put simply, will they resonate with local consumers? Additionally, are there any factors which may inhibit brand growth? If so, the business may wish to devise translations or localisations of the brand for the local market.

As Chinese brands increasingly gain global recognition and goodwill, the risk of piracy and 'brand squatting' has increased. A recent trend, particularly in Europe, is of bad faith actors attempting to pre-emptively file the trademarks of Chinese businesses in jurisdictions where such businesses may be considering expansion. In the face of this risk, Chinese businesses should proactively register their core trademarks at an early stage.

Extending international trademark registrations through the Madrid System (an international system for facilitating the registration of trademarks in multiple jurisdictions around the world) is one method by which the time and costs involved in protecting a brand globally can be minimised. However, using a Chinese national trademark as the basis for an international trademark registration under the Madrid System may not always be the best approach, given the more restrictive approach to specifications in China.

There are various strategies which Chinese businesses can implement to commercialise their brands in international markets, such as licensing, assignment, franchising and merchandising. Through these methods, a business can allow local entities to use their brand and trademarks for certain purposes, including the manufacture, sale, promotion and distribution of goods and services, or the operation of a certain kind of business. All of these methods can differ in terms of the scope of authorisation, territories, royalties, duration and other commercial terms, depending on the parties' needs and circumstances.





Thought leader:

Gu He

**Vice President, Shenzhen
Globalegrow E-Commerce Co., Ltd.**



'Localisation, sophistication, intelligentisation' to realise the concept of 'global buy, global sell'

Creating a brand platform and product branding paves the way for the branding upgrade of cross-border e-commerce

In 2017, the online shopping penetration rate around the globe was over 50 percent. The sales revenue of cross-border e-commerce in China reached RMB 7.6 trillion, accounting for 28.1 percent of the total volume of import and export in China, of which the total exports of cross-border e-commerce was RMB 6.3 trillion.

Cross-border e-commerce has developed rapidly, and there has been a focus on more standardised development and creating brands. Globalegrow adheres to the strategy of "self-operating B2C + third-party platforms", striving to develop self-operating e-commerce platforms such as GearBest and ZAFUL, to embrace mobile technology, enhance brand awareness, and improve repurchase and sales conversion rates. GearBest is an integrated cross-border B2C e-commerce platform. We continue to launch other new brands, such as LANGRIA for home and furniture products, Excelvan for electronic products, and FLOUREON and Suaoki for energy and power products, to safeguard ourselves from competitors in the market.

Emerging markets: Challenges and opportunities coexist, localisation must come first

Globalegrow works hard in both mature and emerging markets. For instance, GearBest is proactively building an image of a localised e-commerce platform, and has built customised websites in nine markets. Localisation and refined location strategies and operations are reflected in local product selection, content, presentation, language, payment and marketing, as well as fully localised human resources (such as operations, customer services, post-sales support, etc.). Further, we are also dedicated to cooperating with local partners in areas such as logistics and warehousing, offline channels, product care and maintenance, and brand investment, contributing to an all-round localised shopping and customer service experience.

Global brands need to be technology-driven, smart, automated and able to utilise the power of big data

Globalegrow has relinquished the concept of streamlining the workforce, instead focusing on sophisticated management that includes intelligentisation, automation and digitisation by improving internal work efficiency and external customer experience. Big data is mainly used in areas of smart product selection, stocking automation, precision marketing, smart recommendations, search option optimisation, and smart customer services, with the aim of enhancing operational efficiency and customer experience.



Thought leader:

Chibo Tang

Managing Director, Gobi Partners



From factory of the world to leaders of innovation

One of the most notable trends in the outward expansion of Chinese companies goes well beyond infrastructure and trade. For over two decades, China has operated as the 'factory of the world', and as a result, Chinese original equipment manufacturers (OEMs) have developed leading capabilities in manufacturing and supply chain management. Today, these OEMs have leveraged this expertise to launch their own brands, and in emerging markets across Southeast Asia, the Middle East and Africa, they have been able to become market leaders in their own right.

This trend is clearly demonstrated in the consumer electronics sector, where some of the most successful Chinese brands have emerged. In the smartphone market, for example, Chinese smartphone brands own a dominant share of the African market, as well as significant market share in Southeast Asia.

Through thoughtful rebranding, local innovation and sizeable marketing budgets, Chinese brands that were looked down upon as *shanzhai* or imitation phones in China, are able to reposition themselves as more affordable but similarly high-quality smartphones upon entering new markets. This is reminiscent of

international brands such as Häagen-Dazs and Pizza Hut when they first entered China in the 1990s – these companies also took advantage of the lack of brand recognition to elevate their own standing along the way.

Strategic investment is another more widely publicised way in which Chinese companies have been expanding their presence overseas. Most notably in the internet and technology, media and telecommunications (TMT) sectors, industry leaders have accumulated a wealth of assets and cash which they can use to extend their reach into other markets. In addition to having the capital, they also have the technology and know-how to help local entrepreneurs build successful platforms and ecosystems – all based on their own experience and success in China.

In addition, companies in emerging markets are also looking to China for innovative business models and technology. The past two decades in China's highly competitive technology sector have seen countless cycles of innovation and disruption; there is plenty to learn by taking pages from the playbooks of China's market leaders today. Whether it is mobile payment platforms, online news aggregators or bike sharing, a clear investment trend in these new markets can be summed up with: 'CFC – Copy from China'.



Thought leader:

Ethan Wang

Vice President, NetEase



The global appeal of high-quality games promotes cultural exchange and multicultural integration

The era of mobile gaming has brought about innovations in content and redefined global distribution channels. The emergence of mobile platforms has further pushed the gaming industry towards digital distribution, opening up opportunities for global distribution. The beginning of NetEase Games' globalisation coincided with the beginning of the mobile gaming era.

The company's vision is to promote the import and export of high-quality games, allowing premium products to go global. This includes cooperating with leading overseas developers and vendors to import more foreign games to Chinese players, as well as exporting high-quality Chinese products to overseas players to establish cultural exchange and communication channels with them. This process has helped us build experience in more diversified markets and better understand our users, which can further improve and enrich the quality and cultural attributes of our games. In turn, this can help NetEase Games win players' trust, and become a preferred choice for global players.

The latest challenge for Chinese games going abroad is that as the market matures and players become more experienced, expectations increase. In addition, innovative game plots and upgraded hardware and technology are also fundamental to the development of the game industry – and we must respond. Technology develops quickly at a global level, so there are very high requirements for global products.

Producing high-quality game products can help overcome market obstacles. NetEase's pursuit of innovation and experience enables us to consistently launch quality games with distinctive cultural characteristics, which supports our globalisation strategy.

We believe that high-quality games are a universal language, and those which offer innovative experiences and cultural attributes can help establish emotional connections beyond borders.



Thought leader:

Scott Kronick

Chief Executive, Public Relations & Influence, Asia, Ogilvy

Ogilvy

The most important characteristics of developing a global brand

Product, image, goodwill, customers, channels and visual identity are among the defining qualities of a brand. According to Scott Kronick, Chief Executive, Public Relations & Influence, Asia, Ogilvy, brands at varying stages of their development require different emphasis. In a mature market where a brand is well established and has a defined customer set, image and goodwill are perhaps the priorities; in emerging markets where brands have to become rooted in the local environment, goodwill and channel may be most important.

“A brand that is rebranding itself may focus on its visual identity and product. In developing a global brand, what is most important to the brand owner is to understand the market environments the brands are preparing to compete in, and create a differentiated approach that drives desire and demand, reinforces channel partnerships and more – all the while retaining a central brand core that is consistent across markets,” says Kronick.

Enhancing trust and relevance to build emotional connection

Kronick believes that a brand is not successful until the local market tells you so. This means that until a brand is understood by the local market, connects with the local market and is welcomed by the local

market, it is not successful. Citing a sports brand as an example, Kronick says that to succeed in a local market, it needs to earn its licence to operate there (goodwill); prepare a core line of merchandise (product) that is nicely packaged (visual identity); develop a proper go-to-market strategy (channel); identify and understand its potential consumers (customers); and communicate with them (image).

This all begins with proper market research to understand the nuances of the marketplace, the attitudes and behaviours of potential consumers, and the competitive environment. This helps brands identify the unmet needs in the market that it can address, and a strategy to exploit these.

Leveraging global social and advertising platforms to build a strong brand

Leveraging global social and advertising platforms is one route to build a strong brand, according to Kronick. “We see that often with advertising on major news networks, for example. In fact, many of the world’s most popular social media platforms all have healthy engagement with global brands – and that includes Chinese brands that want to go global. When a brand needs to build awareness or connect with a target customer, these platforms are often the best and most cost-effective way of doing so,” he adds.



Thought leader:

Alen Wu

***Vice President, OPPO Mobile
Head of Business, Overseas Markets***

oppo

Satisfying global consumers' expectations through the right combination of art and technology

The biggest challenge for global brands is differentiating market characteristics and user habits in different parts of the world. Maintaining a consistent global brand positioning, while also being recognisable to local consumers is a common challenge faced by many brands going abroad. "Leading," "Young" and "Beautiful" are OPPO's brand DNA, and we are committed to developing products that combine design and technology to create a wonderful digital experience for global consumers.

The overseas market holds many opportunities. Although in mature markets such as China, smartphone penetration has become saturated and the growth rate has slowed, other countries and regions are still transforming from feature phones to smartphones and are upgrading from first-generation smartphones. Products with excellent functions, designs, configurations and prices are extremely popular in these markets. In mature markets such as Europe, there is still strong consumer demand for technological innovation and stylish design.

Through OPPO's 10 years of global experience, we have learnt that to become a preferred, trusted brand, and to develop compelling products that target users' pain points and expectations, we need a deep understanding of the different markets and consumers. Our product strategy is to develop innovative technologies and then create great products and brands with the flexibility to meet user requirements in different markets.

Establishing a global brand is a gradual process. Every market needs to be carefully analysed and understood, and companies must be fully prepared before entering the next new market.



Thought leader:

Beehong Hong

**General Manager, Brand Management
Centre, TRANSSION Holdings**

TRANSSION
HOLDINGS

Implementing a multi-brand strategy and localising consumer-focused innovation in global emerging markets

The total population of global emerging markets is over 4.5 billion,⁴⁷ with more than 2 billion internet users. People aspire for a better quality of life. They hope to connect with the world, and experience and own the latest technologies, within their financial means. The large population base and number of internet users, as well as the demand for interconnectivity, means that emerging markets hold great potential. We are committed to “becoming consumers’ favourite smart device and mobile value-added service provider with the highest brand influence in global emerging markets”.

To satisfy the diverse needs of consumers in global emerging markets, TRANSSION uses a multi-brand strategy and creates products that suit the needs of local consumers. One example is TRANSSION’s mobile phones. Quality brand TECNO offers consumers the latest technology at competitive prices, while Infinix is an internet mobile phone

brand designed for the younger generation, and itel is an innovative brand specialising in affordable mobile communication technology. Through this multi-brand strategy, we meet the needs of different consumer groups.

In addition, we are dedicated to ‘customised innovation’, including understanding consumer needs, incorporating the latest technology trends, tailoring to the local environment, and considering value for money. As a customer-oriented enterprise, we always ‘think globally and act locally’, and use social media to listen to consumers and bring them customised, affordable products and solutions.

⁴⁷ ‘Internet usage statistics’, Internet World Stats, 31 December 2017, <https://internetworldstats.com/stats.htm>. The emerging markets therein include Africa, Asia (excluding mainland China, Hong Kong, Macau, Taiwan, Japan, South Korea, Singapore), South America, Central America, the Caribbean and Middle East.

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- Chibo Tang, Managing Director, Gobi Partners
- Scott Thiel, Partner, DLA Piper
- Ethan Wang, Vice President, NetEase
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In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.

For more information, please visit kpmg.com/cn/en.

Facebook

Founded in 2004, Facebook's mission is to give people the power to build community and bring the world closer together. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them. Facebook's headquarters are based in Menlo Park, California.

For more information, please visit facebook.com.

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