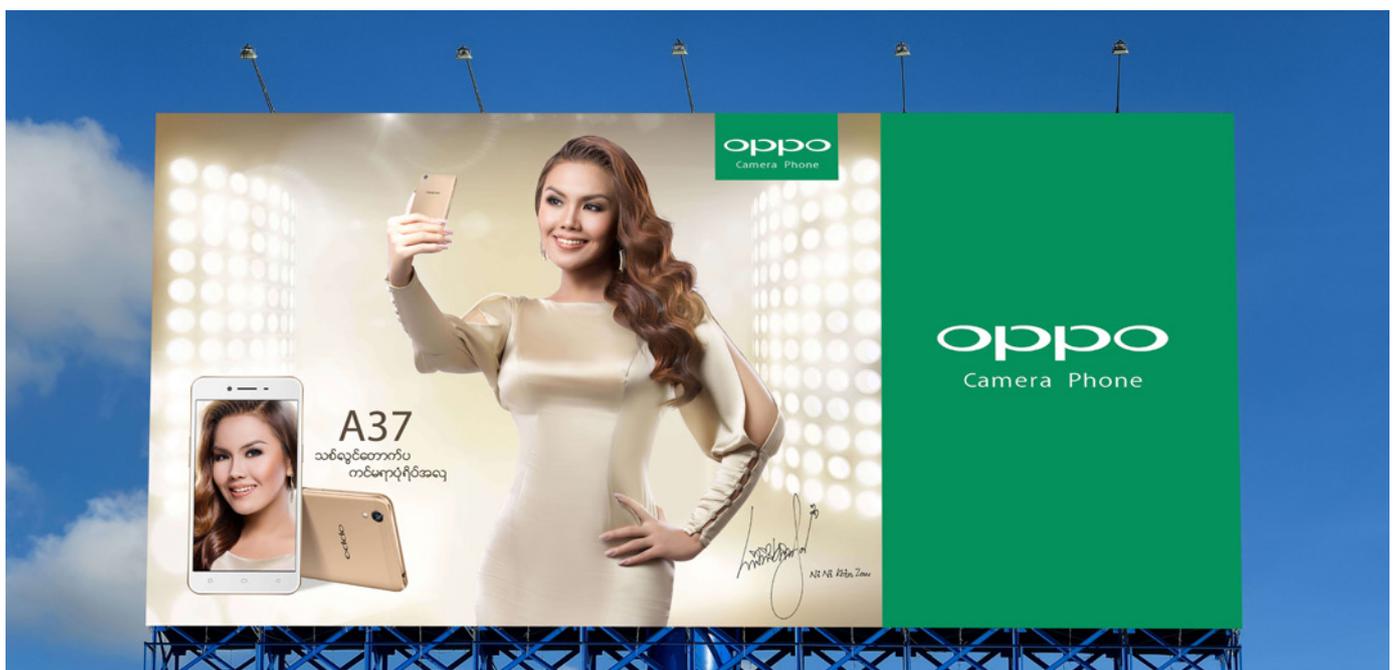


Are China's private firms the next global champions?

The number of Chinese private firms active in Asia, the Middle East, and Africa is impressive. Many are from southern China and have offices in Hong Kong.

SRA PERSPECTIVES

Ben Simpfendorfer



China's private firms are emerging global champions. Many are from southern China, are tech-heavy, and have offices in Hong Kong

From Myanmar to Kenya, I have seen Oppo's retail stores all across Asia, the Middle East, and Africa. It used to be McDonald's golden arches that symbolised foreign brands' commercial success. Today, it's the green and white logo of this Dongguan-based Chinese smartphone manufacturer. It is hard to believe they are also the sponsor the Indian cricket team; that's a big deal and a smart strategy.

Our data analytics shows that Oppo is just one of a number of Chinese private firms that are emerging as the world's newest commercial champions. Many of these firms are based in the southern Chinese city of Shenzhen, Foshan, or Dongguan. 10 years ago they were low-cost manufacturing hubs. Today, they are reinventing themselves as China's high-tech private sector growth engine.

5 key takeaways:

1. Chinese private firms will be the ultimate winners (in 5 years) from China's Belt and Road initiative.

Yes, state-owned firms benefit more immediately from construction contracts and cheap financing. But China's private firms will make the most of improved infrastructure, from roads to shopping malls, selling products to new markets.

2. Oppo is just one example. Envision Energy, a clean energy firm based in Jiangyin; Midea, a consumer electronics company based in Shunde; and DJI, a drone manufacturer in Shenzhen, are all just a few examples showing how private firms can internationalise rapidly. (And yes, I am especially excited by southern China).

3. Private firms are already more likely to engage foreign service providers. In our conversations with senior executives, it's clear that private firms are more likely to admit what they don't know and seek

China's new private champions

The below companies are illustrative of China's rapidly internationalising private sector.

OPPO

DONGGUAN



ENVISION

JIANGYIN



MIDEA

SHUNDE



DJI

SHENZHEN



professional advice on a range of issues, from M&A to talent management. That will accelerate their expansion. The past 24 months have been a tipping point.

4. Technology is a major driver of private sector commercial activity. Shenzhen-based Huawei and ZTE have been building mobile networks across the region for 10+ years. Now, Chinese smartphone manufacturers are selling affordable devices while Tencent and other Shenzhen-based VC funds acquire start-ups from India to Israel.

5. Hong Kong already serves as the international hub for southern China's private sector. Our data analytics shows that 70% of the region's largest firms, including private firms, have offices in Hong Kong. That's a big opportunity for professional services firm based in the city. But chances are that most are dealing with just the Top 20; but not the next 200.



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