



CHINA'S INNOVATION PUSH

The Race for Global Innovation Leadership



MUNICH | SHANGHAI | MUMBAI | MOSCOW



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FROM MANUFACTURING BASE TO INNOVATION HUB

As the factory of the world, China has developed into a central manufacturing powerhouse in the global market. Driven by this great achievement, China now aims to move up to an innovation leader challenging Western countries.

The need for innovation is strongly driven by macroeconomic factors:

- **Economic Slowdown** requires China to invest into innovation and profit from value-added manufacturing
- **Urbanization:** Urban population increased from 36% in 2000 to almost 60% in 2018, and is expected to reach 80% in 2050, which drives the need for data-driven smart cities and urban living concepts
- **Demographics:** In 2019 China's birth rate fell to a record low of 1.05 leading to a rapidly aging population – the need for automation and innovation in robotics is inevitable

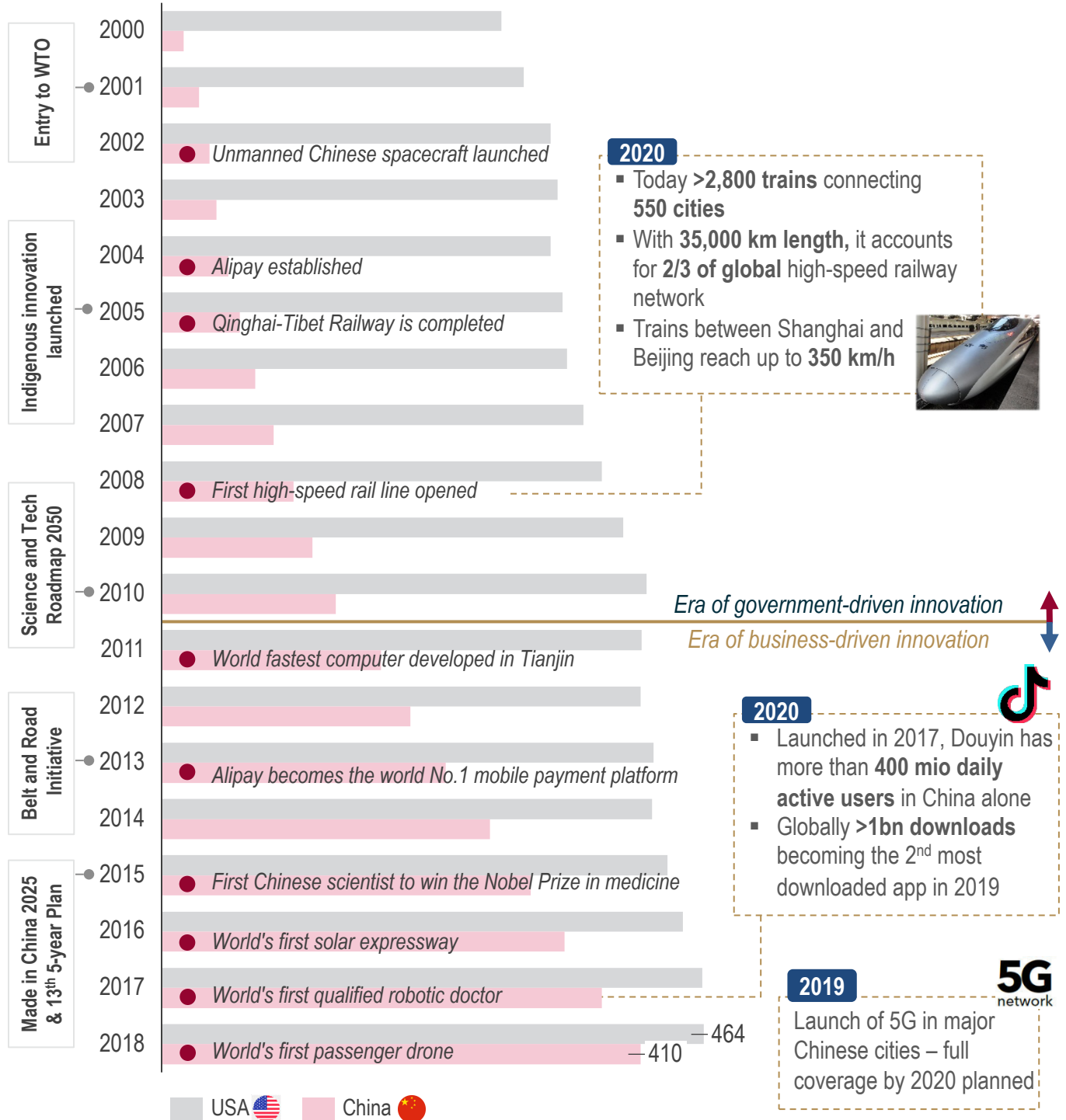
Especially in **efficiency-driven & customer-focused innovation**, Chinese companies have become global innovation frontiers. Internet and tech giants like Huawei, Baidu, Alibaba, Tencent, JD, Didi Chuxing, Meituan-Dianping or ByteDance increasingly set innovation standards instead of following their Western peers.

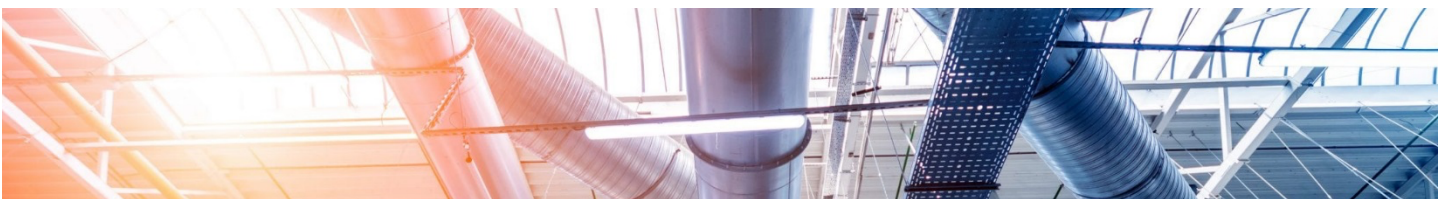
However, despite the high investment, China still lags behind Western countries in fundamental research and **science and engineering-based innovation** – an area where we expect **strong transformation in the new decade**. Leading universities like Tsinghua University climb global rankings (#16 in 2020 QS Ranking), develop high talents and contribute to breakthrough innovations.

EAC has been active in China for more than 25 years. Our first-hand knowledge through local resources and networks enable our strong competence in China's dynamic innovation ecosystem.

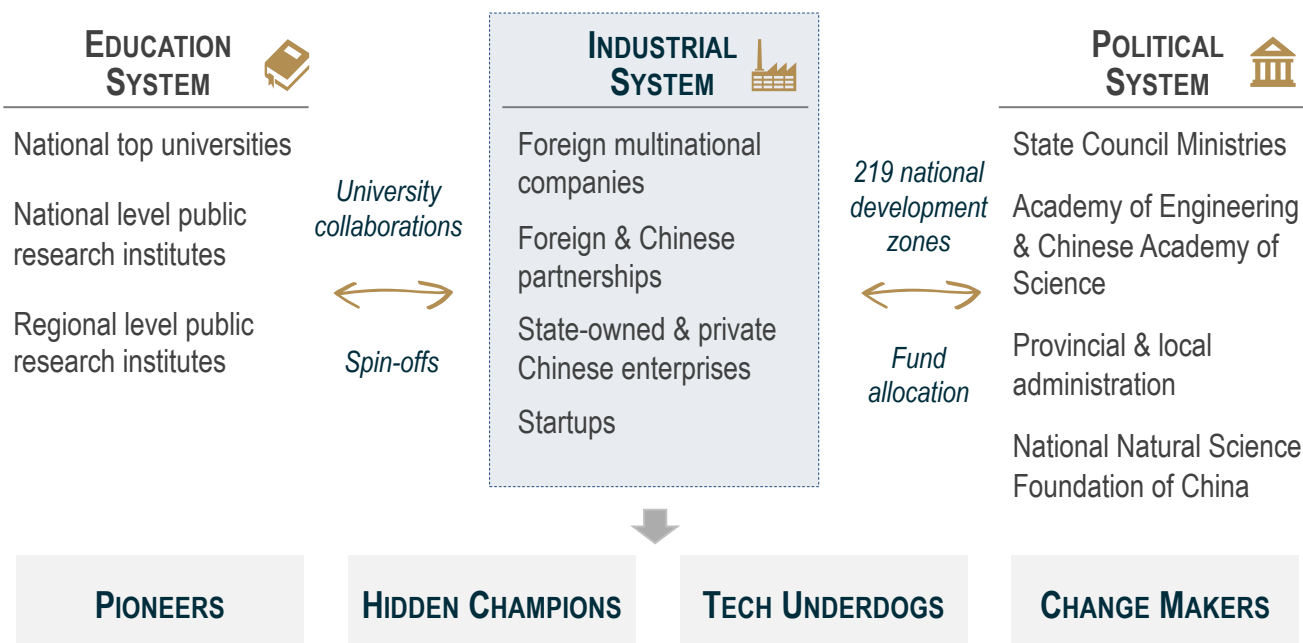
China is quickly catching up with USA on R&D spending – in the last decade, innovation was dominated by China's dynamic businesses

China's R&D Expenditure Development compared to USA (bn USD)



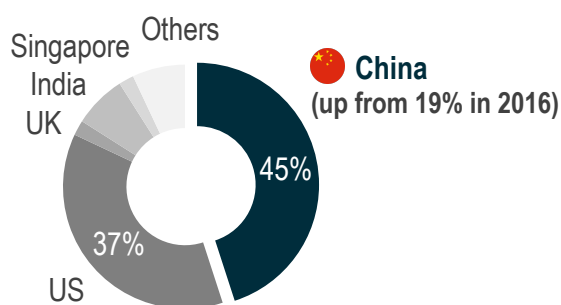


China innovation is characterized by a combination of government and private sector initiatives – industrial system at core of innovation



China's highly dynamic start-up ecosystem plays a major role in driving innovation and thereby increasingly attracts global attention

GLOBAL TOP 100 START-UPS 2019 & KEY FACTS CHINA



8,000+ Deals

2,300 Incubators

1,700+ Angel/ PE/ VC investors

76 bn Investment value, EUR

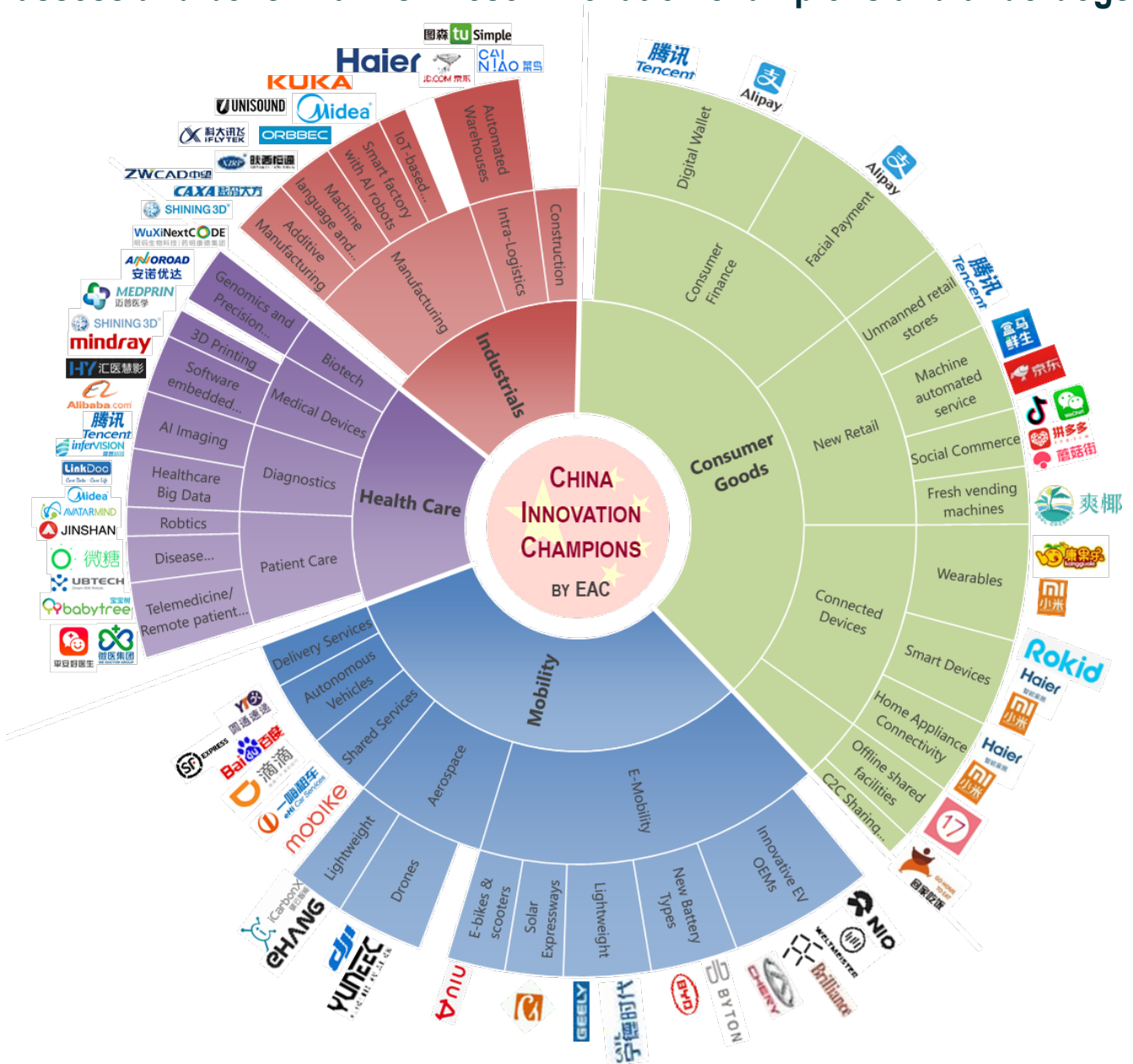
5 mio Start-Ups

97 New Unicorns fostered

CHINA'S TOP 3 NEW UNICORNS 2019



As core service of our innovation practice, we constantly identify, assess and benchmark Chinese innovation champions and underdogs



AI Innovation Case – SenseTime

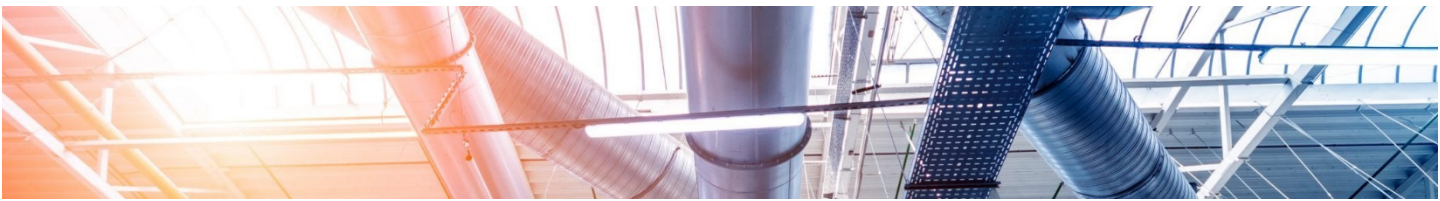
- World's leading AI platform for computer vision and deep learning
- Established China's largest deep learning supercomputing center



Product Innovation Case – Royole

- Pioneer in flexible displays and sensors
- World's first bendable phone
- 1 bn USD IPO planned





Foreign companies increasingly utilize China's favorable conditions and advantages to innovate not only for local, but for global markets

TIME TO MARKET

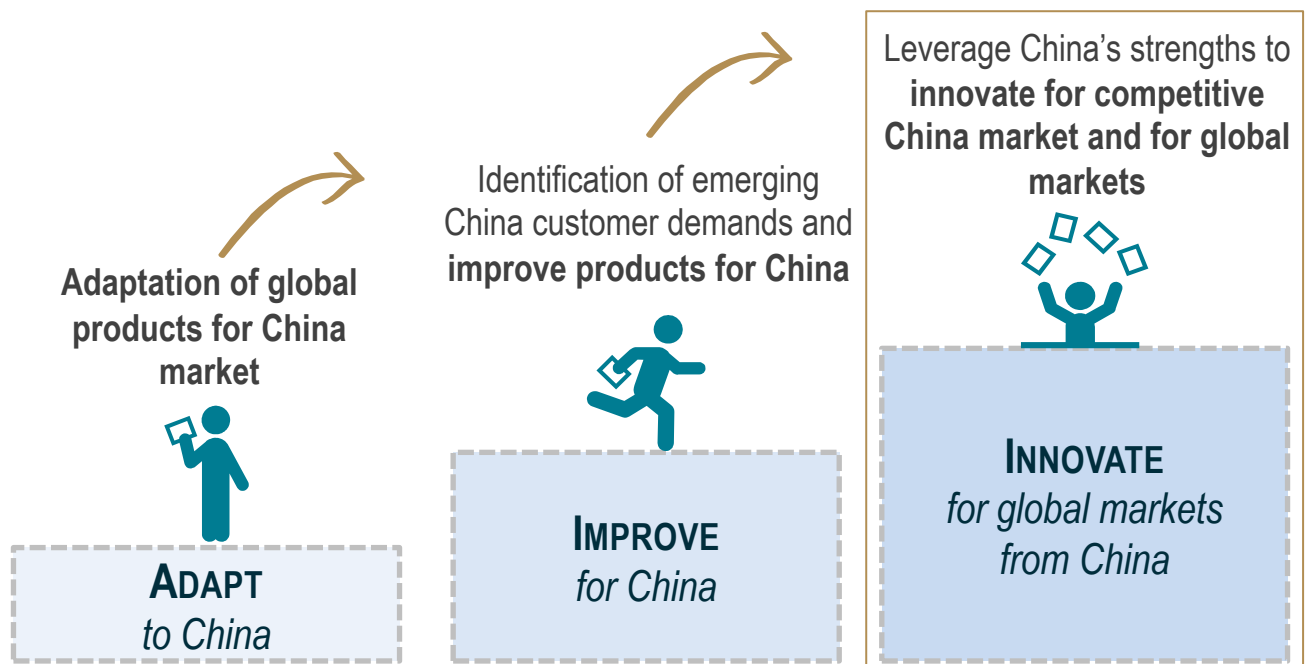
- **Complete local infrastructure** available enabling easy cooperation with local suppliers and quick response times
- **Large domestic market** with mature e-commerce infrastructure to quickly test products and follow "fail fast" logic
- **Rapid prototyping** facilities available to quickly produce samples of products

COST EFFICIENCY

- **Local sourcing of components** needed during development process
- **Government support** and subsidies available, especially for government focus topics such as e-vehicles or robotics
- **Availability of affordable labor** with rising numbers of qualified engineers

DIGITAL INNOVATION

- **Extensive digital infrastructure** (e.g. 5G network, 1.2 bn unique mobile subscribers) offers basis for innovation based on big data and artificial intelligence (AI)
- Chinese companies are **technology leaders in digital innovation** and offer:
 - Potential for **joint R&D projects** to learn from local innovation processes
 - **Products to improve R&D efficiency**, e.g. IoT hardware and software to collect data from industrial equipment that can be used to improve reliability



EAC CASE STUDIES – LATEST EAC INNOVATION PROJECT EXAMPLES



CHINA PRODUCT INNOVATION SCOUTING

- **Competitor innovation scouting** for leading automotive supplier
- Identification of required **product features** to enable **digital readiness**



START-UP ECOSYSTEM SCREENING

- White Goods supplier wants to **expand in China** via new innovative products
- Screening of **innovative start-ups** in China as potential M&A targets



CHINA INNOVATION STUDY

- In-depths China **innovation study** for leading German industry association
- Assessment of **innovation threats** from Chinese competitors



MARKET PUSH VIA BUSINESS MODEL INNOVATION

- Identification of disruptive ways to **reach customers** in machine building industry
- **Innovative business model scouting** in China for China and Global

> 25 YEARS CONSULTING EXPERIENCE
> 50 COUNTRIES
> 2,000 PROJECTS

= OUR EXPERTISE



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