

The rise of China's Silicon Dragon

China's internet players are shifting the centre of gravity in the global digital economy and forcing multinationals to rethink fundamental assumptions about the sources of innovation-led growth

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SUMMARY

Where Chinese businesses were once derided as copycat innovators, the leading digital players have now developed into world-class trendsetters at the intersection of eCommerce, mobile and social technologies. In addition to the large cap firms like Baidu, Alibaba and Tencent (BAT), PwC's analysis shows that Venture Capital (VC) investment value in China-based internet businesses was worth USD 20bn in 2015, exceeded that of the United States (USD 16bn) for the very first time.

China's internet players will increasingly become more established on the global landscape through: direct expansion into Emerging Market eCommerce, social and mobile services; cross border M&A of high-tech firms; exporting disruptive business models; and attracting international digital talent.

Most multi-nationals (MNCs) now recognise the need to adopt an "in China for China" strategy however, with China as a leading digital innovator, we are seeing the emergence of a "China for the World" strategy. Here we see MNCs ideate, test and scale leading edge digital solutions within China that can then be exported to other international markets.

SELECTED STATS

China surpassed the US as the premier location of VC investment in internet business in 2015
Value of VC investment in internet businesses, 2015 USD

20bn	16bn
China	United States

Explosive growth in internet deal volume is the primary driver for China eclipsing the US
Volume of VC deals in internet businesses, 2015

1,726	1,020
China	United States

Private Chinese buyers are turning to outbound M&A to acquire technology IP and brands

91%
Share of total China outbound M&A of technology companies by private firms, by deal volume (2015)

MNCs are opening global innovation hubs in China to develop eCommerce, social and mobile solutions to be exported to international markets

1,500
Number of innovation facilities operated in China by multinationals in 2015

Source: PwC