

New Chinese ambition: from OEM to ODM to OBM

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BFC is suspected to imitate KFC

Generated by Yuchen, Chu (2012) extracted from http://www.topnews9.com/article_20120320_626.html

Micro Innovation, Incremental Innovation and Imitation



a. Original Innovation of Dyson



b. Duplicative Imitation/Copy



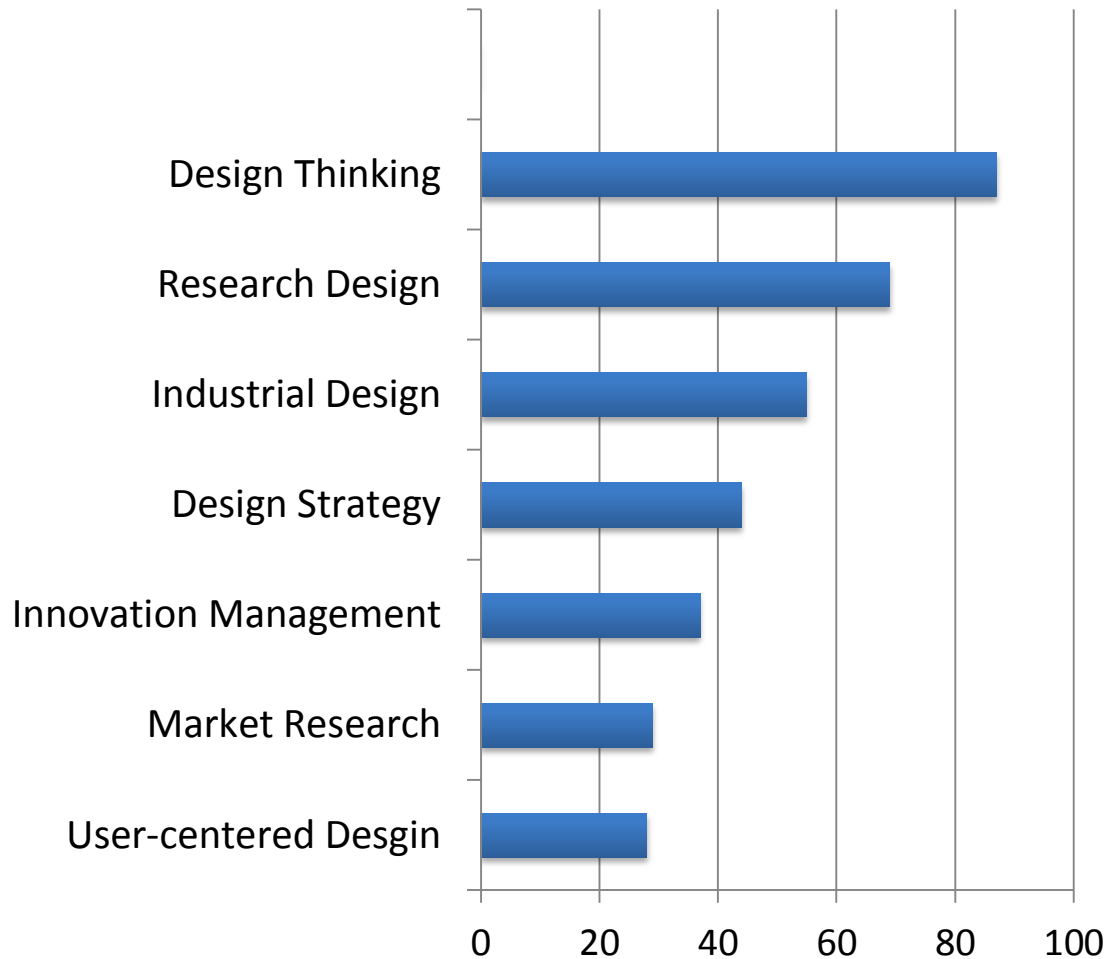
c. Micro Innovation



**d. Incremental Innovation
(Additional innovation/accessory design)**



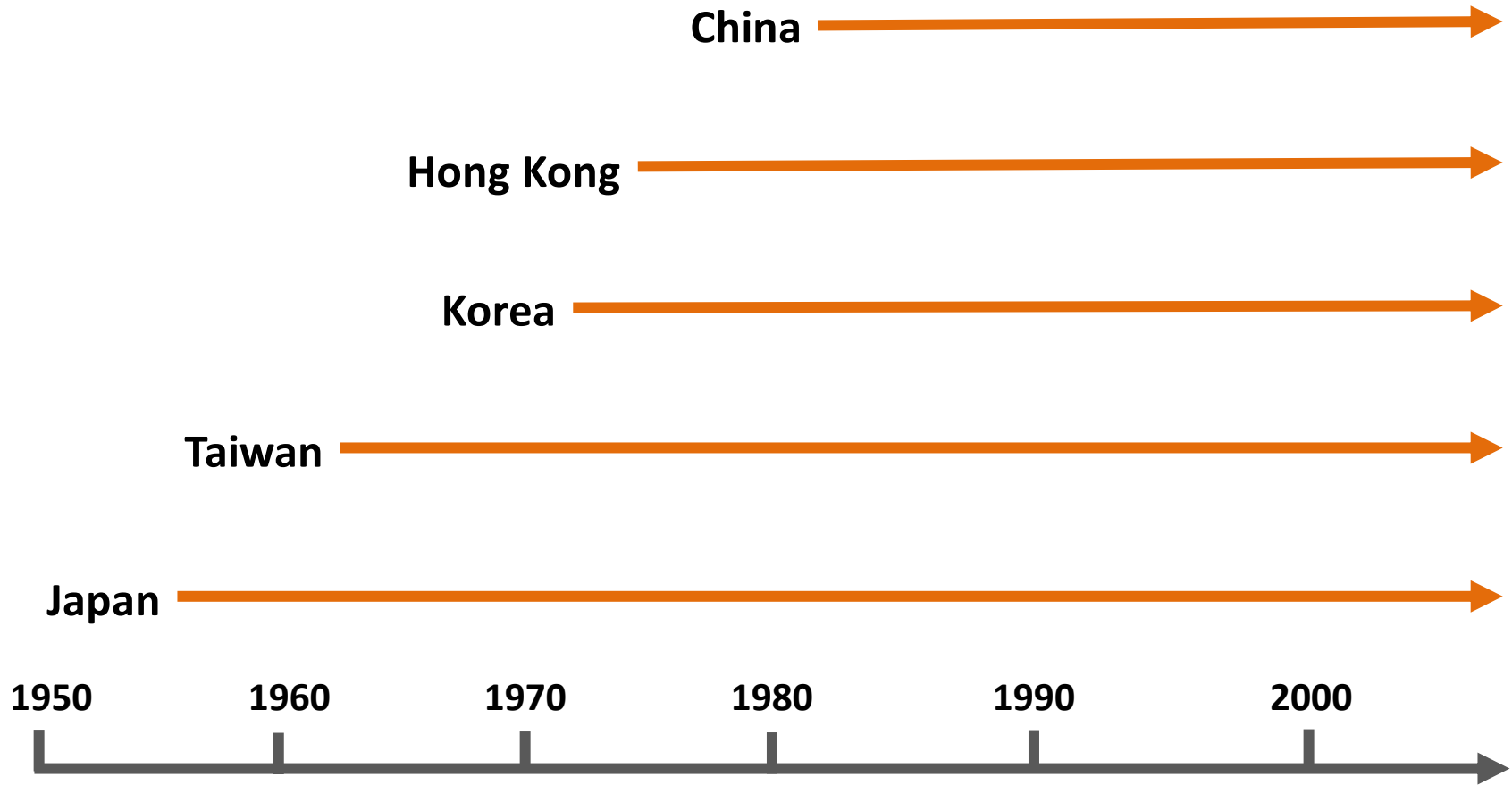
Number of persons endorsing skill or expertise



■ Number of persons endorsing skill or expertise

as of 16 Feb 2015

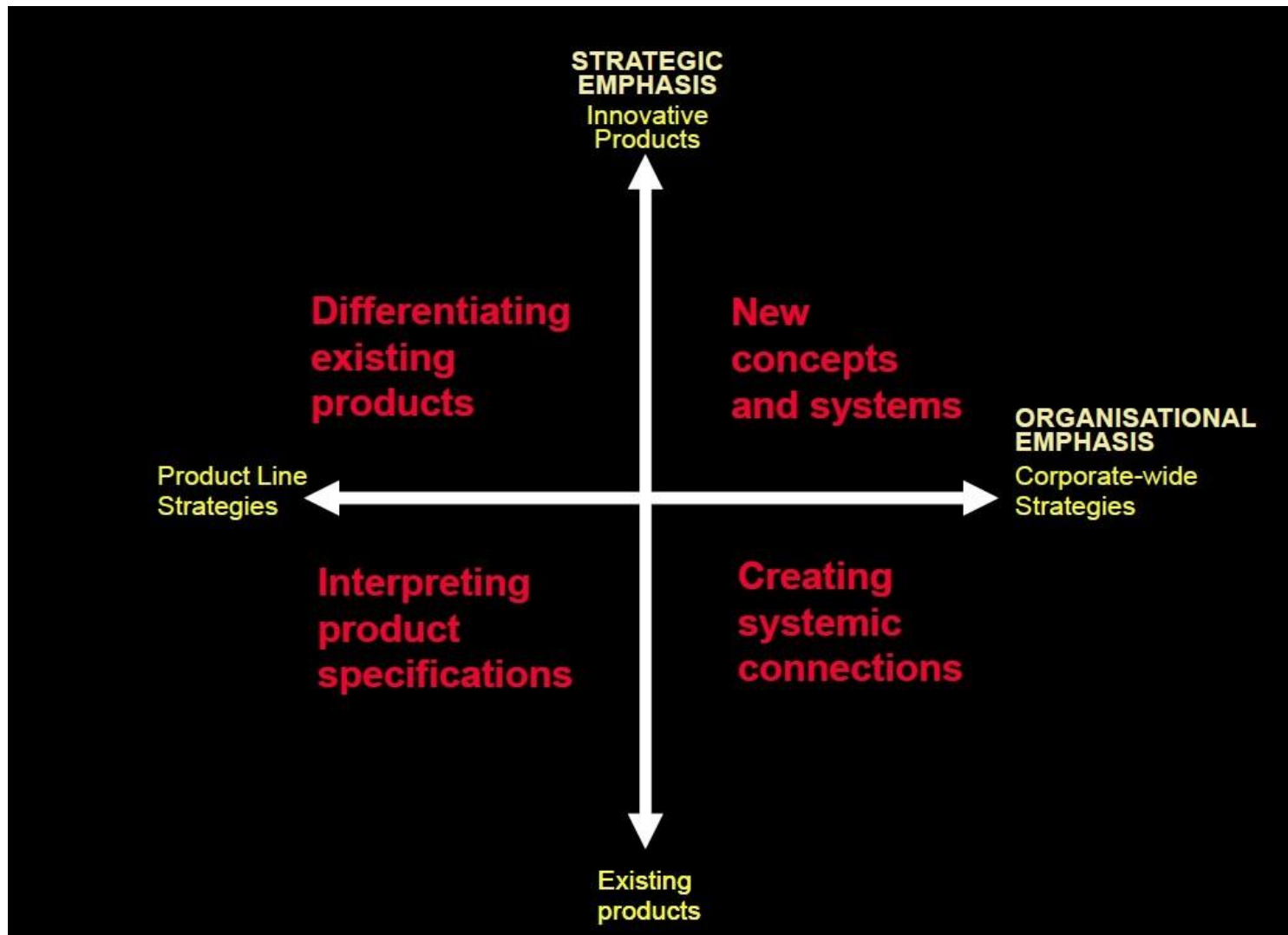
Design Timeline



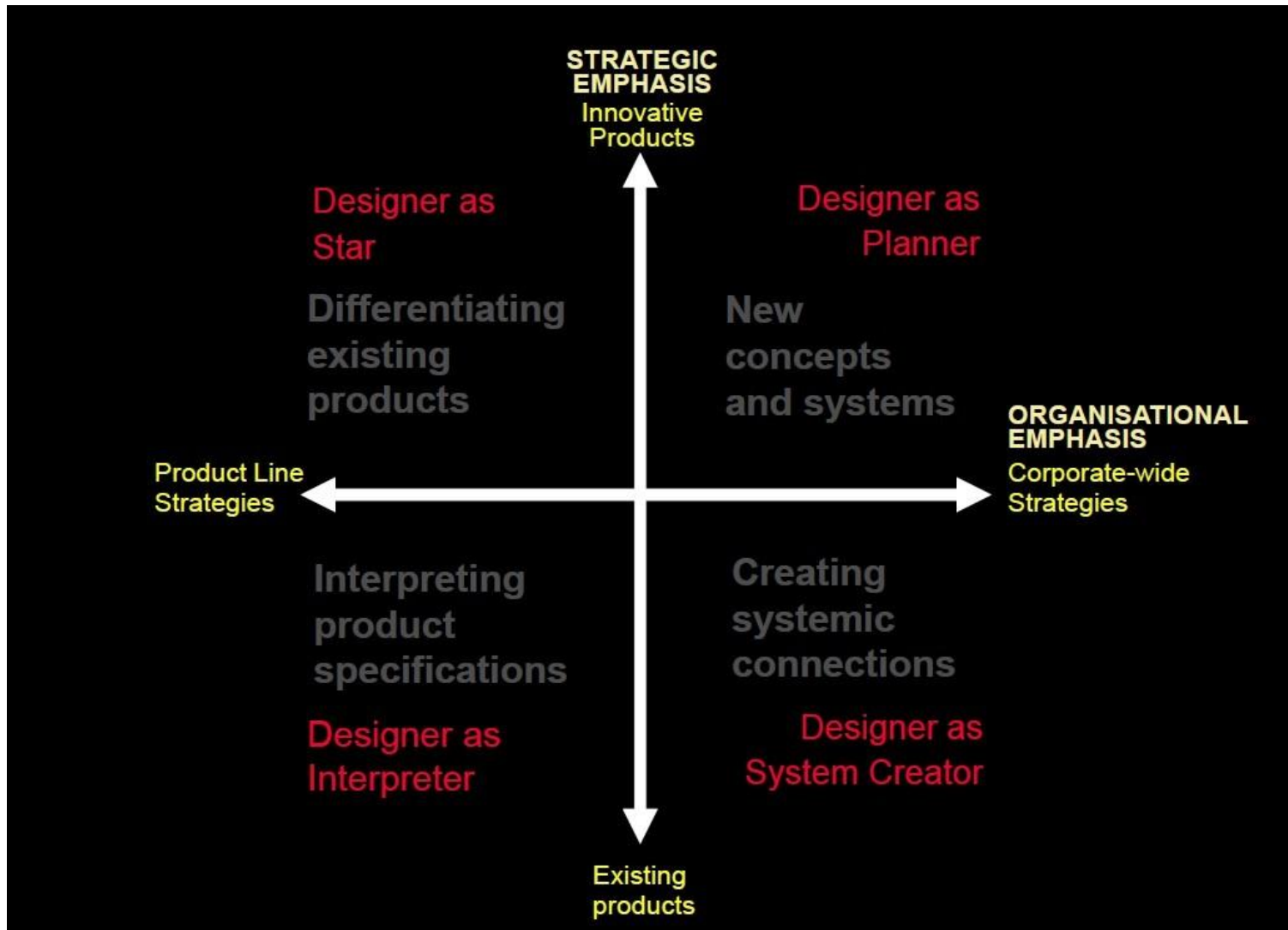
Interbrand top 100 (2014)

Japan	Korea	China
Toyota (8)	Samsung (7)	Huawei (96)
Honda (20)	Hyundai (40)	
Canon (37)	Kia (74)	
Sony (52)		
Nissan (56)		
Panasonic (64)		
Nintendo (100)		

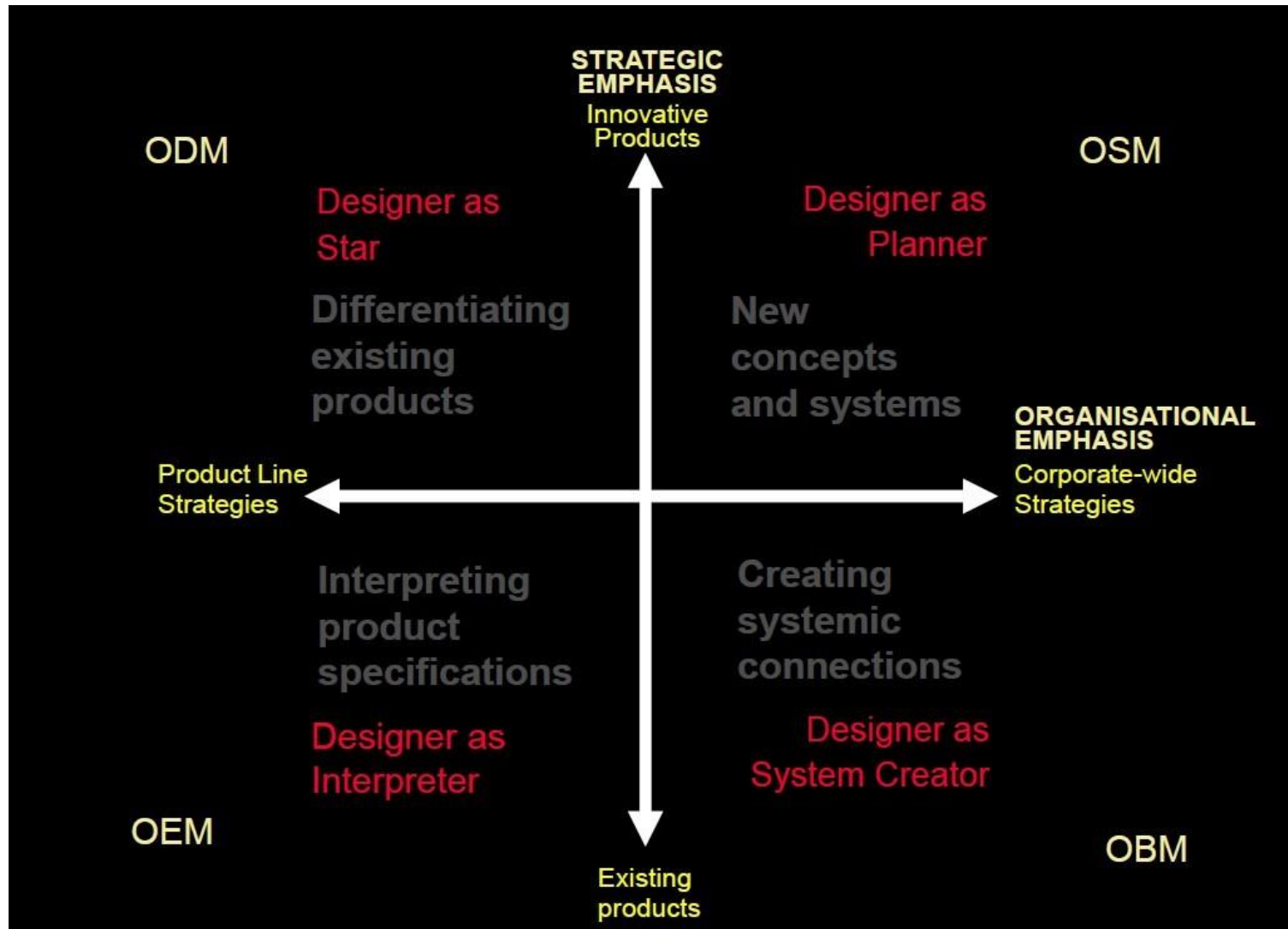
Different Level of Design Practice 1



Different Level of Design Practice 2



Different Level of Design Practice 3



Successful Chinese Manufacturing Companies

	Performance	International expansion	History	Business model
Haier	#1 Refrigerators	China, USA, Europe	Started in 1920, 1984: joint venture with Liebherr	OEM, ODM, OBM
Huawei	#1 Tel. com. equipment	China, Russia, Brazil, South Africa Netherlands, Germany	Founded in 1987 2013: Honor	OEM, ODM, OBM
Lenovo	#1 Personal computers	China, Brazil, Eastern Europe	Founded in 1984, 2005: IBM PC, 2014: Motorola	OEM, ODM, OBM
Xiaomi	#1 venture-backed private company (\$46.0 billion)	China, India (considers manufacturing in India)	Founded in 2010	ODM, OBM Sources from Foxconn, Inventec

Reasons for staying OEM

- Potential conflict with customers
- Lack of understanding of western culture
- Counterfeits
- Negative attitudes towards Chinese brands
- Stock management risk



Pathways from OEM to ODM



- Absorbing Technological Spillovers
- Reverse OEM
- Industry-Education-Research Cluster
- Independent R&D

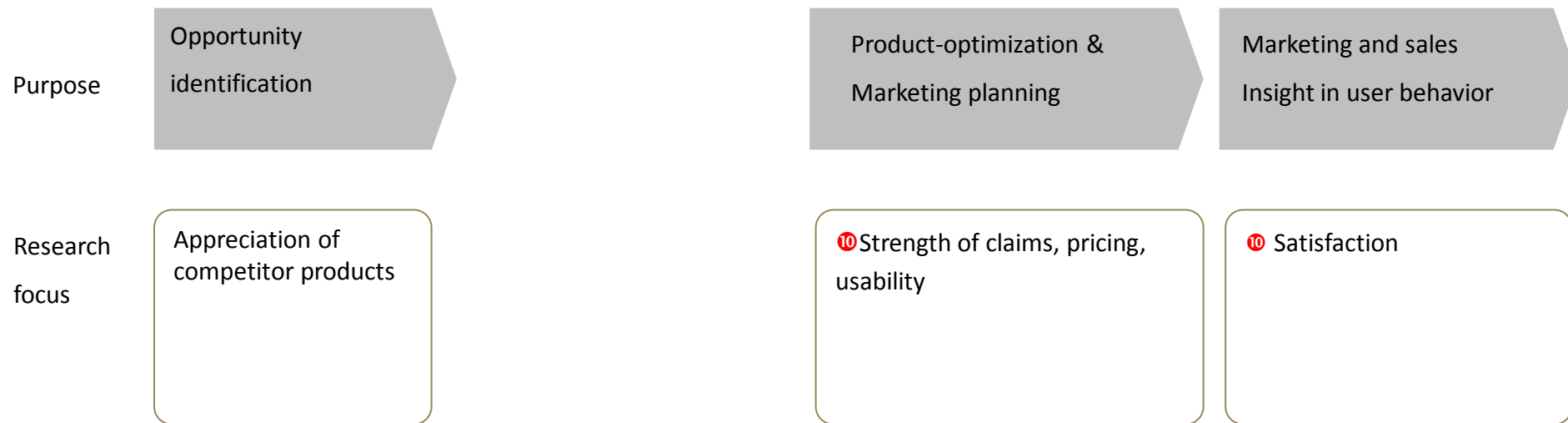


Capabilities needed from ODM to OBM

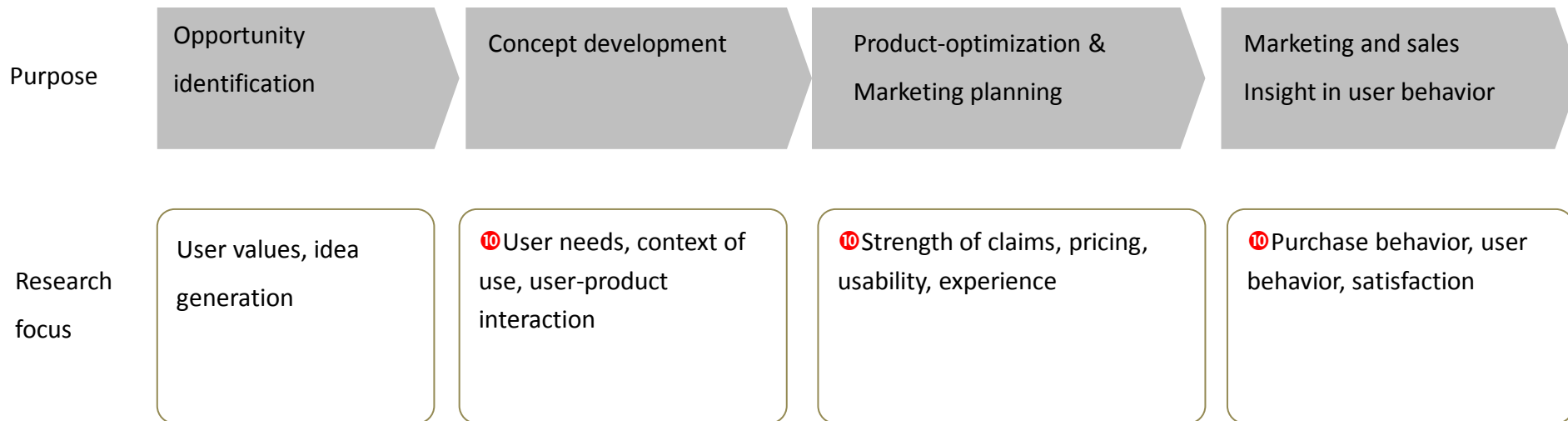
- Market and consumer intelligence
- Brand building
- Marketing and Sales
- After-sales services



Job Scope: Aiming to be Fast-Follower



Job Scope: Aiming for Leadership



Successful Chinese Internet Companies

	Performance	Learning from	Founded	Brands	Expansion
Alibaba	#1 Online shopping in China	eBay, Amazon, PayPal	1999	Taobao Marketplace AliPay	Russia
Baidu	#1 Search engine in China	Google, Wikipedia	2000	Zhidao Baiké P4P	Brazil
Tencent	#1 Platform for social media in China	Facebook WhatsApp	1998	Tencent QQ WeChat Weibo	Indonesia, India, Mexico

Recent developments

- Design innovation is part of economic restructuring China (since 2014): high knowledge and added value, low on resources and pollution (services)
- Tencent, Alibaba, Baidu outperform western equivalents in user-centered innovation
- Explosive-growth companies in China follow new growth models (Xiaomi since 2010)
- Much potential Chinese companies in product-service systems, e.g. wearable electronics, health-care

Conclusions

- Sourcing: China not cheap, but relatively advanced in new manufacturing technologies (Taiwanese investments)
- Chinese companies are gaining self-confidence: capabilities, scale, capital.
- Advice to western companies:
 - Set up Joint-Ventures,
 - Capitalize on branding skills (Italy, France, USA)
 - Capitalize on technology innovation (Germany, USA, Israel)
- **Chinese companies will hit you in your key markets**