INSIGHT.

The Journal of the American Chamber of Commerce in Shanghai - Insight September/October 2020

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As companies move forward from the pandemic, what industry trends are they adopting?

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MEMBER NEWS

CHAIRMAN'S NOTE

JEFF LEHMAN
Chairman of The American Chamber of Commerce in Shanghai

During the past five months, community spread of the COVID-19 virus has become negligible in China, but it has remained stubbornly high in other parts of the world. And while many sectors of the economy here are rebounding, the recovery continues to languish in many other countries. A full return to normalcy requires a global end to the pandemic.

While the summer slipped by, AmCham Shanghai continued to play its traditional role in supporting its members. One part of our mission is to promote the US-China connection, and this summer the Chamber helped our members pursue and obtain permission for their executives to reenter China notwithstanding the closed borders. We have also worked with airlines and our travel agency to help members reserve seats on commercial flights.

We also continued to gather and distribute reliable information about the US business community in China. In that vein, the Chamber conducted this year's annual China Business Climate Survey early this summer, analyzed the results, and produced the 2020 China Business Report.

This issue of *Insight* includes a summary and highlights of the report that is well worth perusing. I believe each reader will find some element of the report especially interesting, but the following points struck me as particularly significant:

- Almost 80% of respondents were profitable in 2019
- Almost 80% of respondents said that COVID-19 would hurt revenues in 2020
- Despite US-China trade tensions, more than 70% of respondents said they do not intend to move production out of China
- Whereas some 50% of respondents reported plans to increase China investment in 2019, only about 30% reported such plans this year
- The percentage of respondents reporting difficulty obtaining necessary licenses fell from about 55% in 2019 to about 40% this year
- Some 55% of respondents continue to report dissatisfaction with IP protection

Overall, I believe the CBR supports the conclusion that operations in China remain key to our members' overall business strategies. Despite the pandemic and geopolitical challenges, very few are interested in decoupling.

After you review the China Business Report, I encourage you to browse through the rest of the magazine. Three articles address different dimensions of e-commerce: the Duoyin platform, online education and the evolution of Chinese consumer behavior. Another article discusses China's permanent residency regulations. Last but not least, there is an insightful interview with Yoke Loon Lim, the Greater China President of Dow.

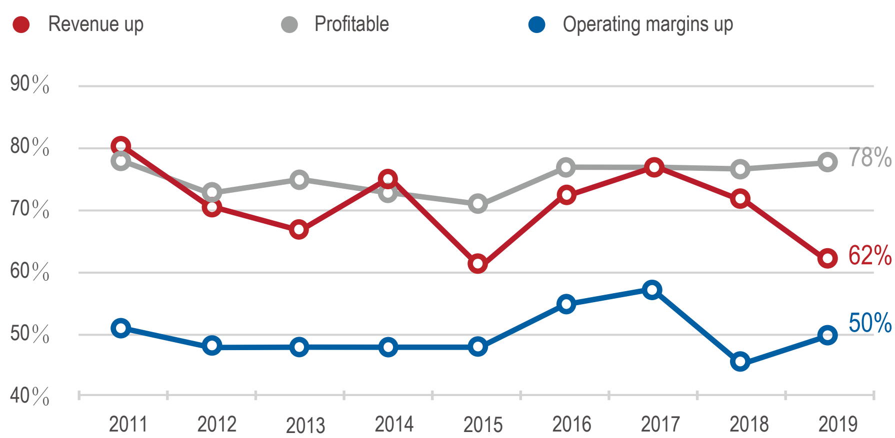
2020 has surely been an unfortunate and challenging year. Let us all hope that the autumn season will bring us reason for renewed optimism as we look to the future. I

2020 CHINA BUSINESS REPORT HIGHLIGHTS

THE AMERICAN CHAMBER OF COMMERCE IN SHANGHAI

The annual China Business Climate Survey, conducted this year between June 16 and July 16, is one of the longest running surveys of US business in China. The 2020 report reflects the views and insights of 346 members and measured trends in company performance, investment, the revenue impact of COVID-19, supply chain and sourcing movements, staff retention in light of US-China relations, as well as the competitive advantages of Chinese companies.

Performance



Profits & revenue expectations

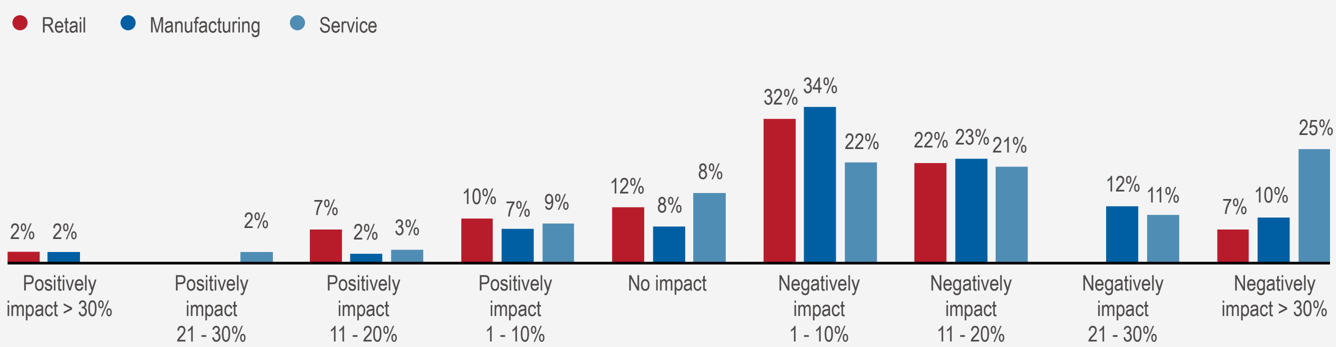
Profitability in 2019 remained consistent with previous years, with 78.2% of companies reporting profits. However, revenue growth estimates for 2020 were understandably weak given the impact of COVID-19 on businesses in the early part of the year. Only 32.5% of companies expected to see revenues grow in 2020, versus last year's 50.5% that forecast greater revenues in 2019 than in 2018.

Covid-19 revenue impact

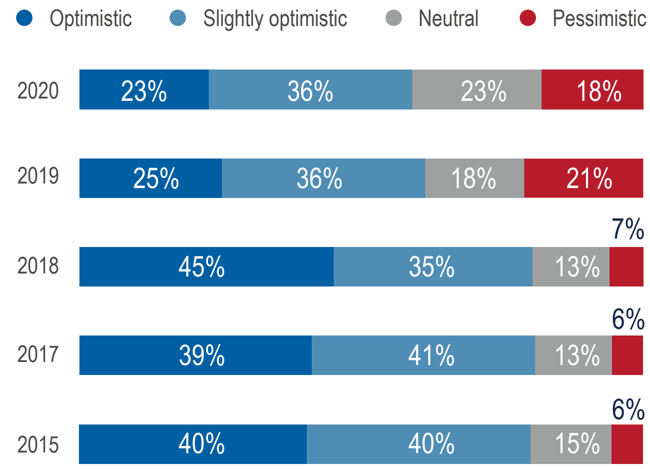
Among respondents, 78% of companies said their 2020 estimated revenues have been negatively impacted by COVID-19, with nearly a quarter saying that expected revenues had decreased more than 20%. Of those in the automotive industry, 95.7% were negatively impacted, followed by 88.9% in the education and training industry and 84.8% of industrial manufacturers.

However, 13.5% of respondents said COVID-19 has positively impacted their expected revenues. Industries benefiting most from the disease outbreak were logistics, transportation, warehousing and distribution (50%), followed by technology hardware, software and services (33.3%), retail and consumer (33.3%) and agriculture and food (33.3%). This data mirrors the experience of the US and other countries, with demand for online entertainment, computers,

COVID-19 impact on expected revenues, by sector



Five-year business outlook in China



household and personal care items and home delivered food forming a new consumption paradigm.

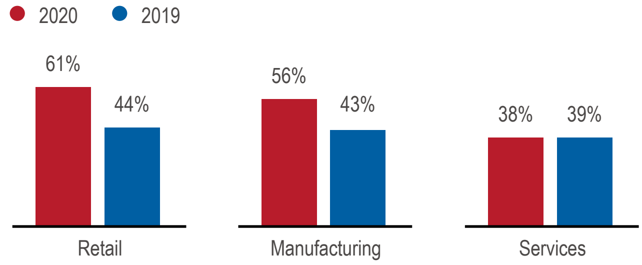
Five-year outlook

This year, 18.5% of companies held a pessimistic five-year business outlook, versus 21.1% in 2019, but the number is still historically high. Greater turnover and optimism are correlated: 71.2% of companies with global turnover of over $5 billion were optimistic versus 54.3% of companies with global turnover of $101-500 million.

Policies & regulations

This year, 35.3% of respondents believe Chinese policies and regulations toward foreign companies have improved over the past few years, a slight uptick compared with last year's 34.5%. The largest increase was in the retail sector, with 46.3% of respondents seeing improvements, a six percentage point (pp) jump over 2019. Although 40.4% of service sector companies also saw improvements this year (up 6.1 pp over last year), it was also the most negative sector, with 29.8% saying the regulatory environment had worsened.

Transparency, by sector



However, there were particular areas in which members noted improvements. Positive sentiment may have been boosted by policy reforms such as the Foreign Investment Law (FIL), which while in its infancy, aims to promote more equal treatment for foreign and domestic companies, as well as offer greater protection for intellectual property.

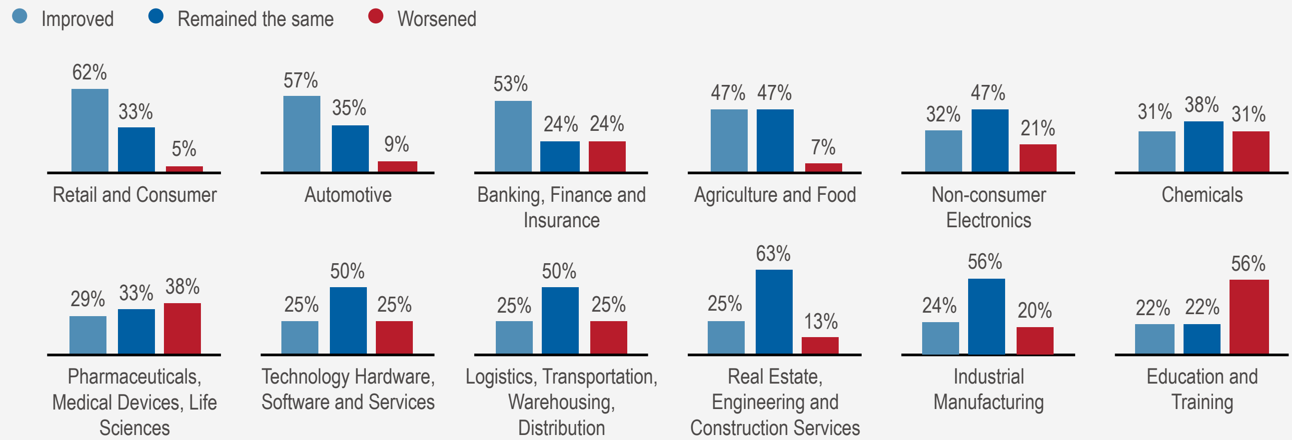
On an industry level, automotive experienced the biggest jump, with 56.5% of respondents noting improvements, compared to just 19% last year. The change may be partly attributed to the removal of foreign ownership caps for commercial vehicle manufacturers in July 2020.

Just over half (51.4%) of respondents viewed the regulatory environment as transparent, an almost 10 pp increase from 2019. Transparency in the retail and manufacturing sectors grew, jumping 17.1 and 13.4 pp, respectively. Service, however, was largely unchanged. The service sector's regulatory environment was considered opaque (61.5%), particularly among respondents in the education and training industry, where 88.8% found the regulatory environment lacking in transparency.

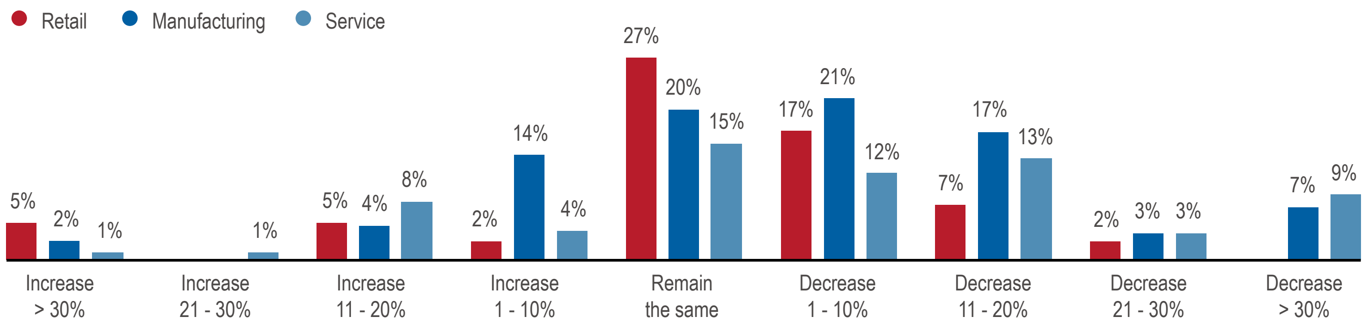
Capacity utilization

Whether it's filling every seat in a fast-food burger joint or running every production line 24/7, operating a business at full

In the past few years, government policies and regulations toward foreign companies have:

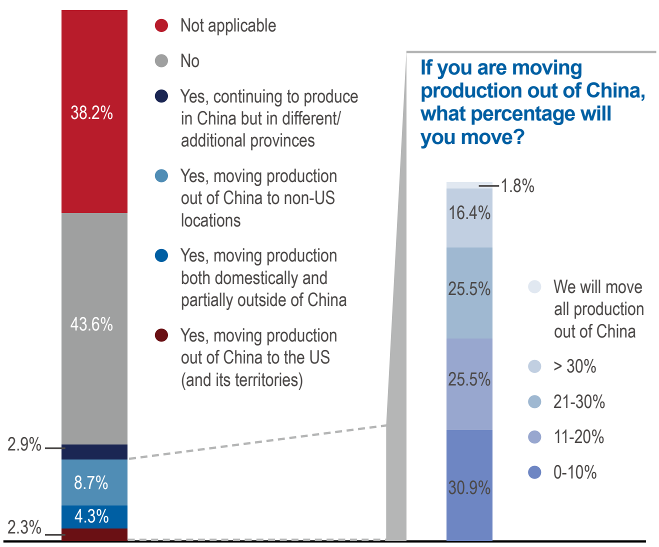


Capacity utilization falls, by sector



capacity can signal success. COVID-19, however, had an especially onerous impact on businesses this year, with utilization falling across all sectors and almost all industries. Among the few industries where a large percentage of companies saw an increase in capacity utilization were agriculture and food (40%), non-consumer electronics (31.6%), and pharmaceuticals, medical devices and life sciences (28.6%).

Do you plan to move some or all of your production to other regions of China or outside China?



Production shifts

Of over 200 respondents that own or outsource manufacturing operations in China, 70.6% did not intend to shift production out of China, 14% are moving some production to non-US locations, 7% are moving some production both domestically and partially outside of China, and 4.7% are continuing to produce in China but in different/additional provinces. Only 3.7% are moving some production out of China to the US (and its territories), despite calls from the Trump administration for American companies to return manufacturing to the US.

Most notable too is that of the companies moving production out of China, just under 1.8% said they will move all production, and only 16.4% will move more than 30% of production. This suggests that the lure of China as a market remains strong, as does its various advantages as a manufacturing location versus other countries.

Competition

Though most companies still report being outpaced by their Chinese competitors in bringing products to market, the gap is shrinking — companies concurring that their competitors are swifter to market dropped 5.2 pp to 64.2%, with more companies now reporting that their Chinese competitors are on equal footing with them (25.9%). More than three-quarters (76.2%) of pharmaceuticals, medical devices and life sciences companies said their competitors bring products faster to market, but also said that their competitors' product development (71.4%) and product quality (85.7%) are less advanced.

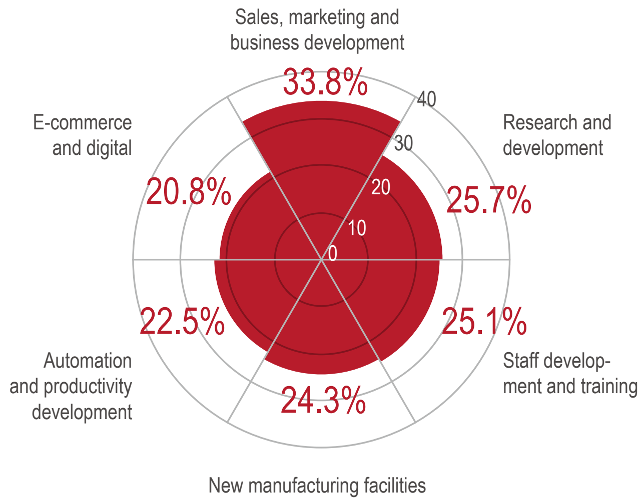
How do you rate your Chinese competitors in these business areas?

	More advanced	Same	Less advanced
Speed to market	64%	26%	10%
Use of digital strategies	40%	40%	20%
Sales and marketing	36%	36%	28%
Product development	19%	27%	54%
Product quality	11%	24%	65%

Investment

At a functional level, companies continue to prioritize investment in China's consumer base. Across industries, sales, marketing and development was the number one investment priority (33.8%), followed by research and development (25.7%). For retailers, sales and marketing investment still comprises just over half of spending (56.1%), but they are investing more in their distribution channels, up 24.3 pp to 36.6%, as well as in e-commerce and digital, in which 48.8% of the retail and consumer sector said they were increasing investment, an unsurprising shift as consumers shopped online more amid coronavirus. Conversely, e-commerce and digital investment fell 13 pp among service providers down to 11.5%, perhaps because of heavy investment made in recent years. I

Top six functions in which companies are increasing investment in China



DO IT ON DOUYIN

By Kate Magill

HOW TO TAKE ADVANTAGE OF CHINA'S MEGA-POPULAR APP

It's the app that's everywhere. Teens and tweens post hashtag challenges, grandparents post dance videos, and influencers promote products on it. Douyin — the short-form video app — has taken over China's internet.

Launched in 2016, Douyin is the brainchild of Chinese internet company ByteDance. The app allows users to upload usually under 60-second videos and to scroll for millions of others, ranging from glossy KOL ("key opinion leaders")-created content to homemade videos by family and friends. The app has launched internet influencers and endless trends, unleashed new trends and dances, and notably for businesses, brought a new world of marketing and advertisement opportunities.

In the years since it landed on smartphones, Douyin has become the second most downloaded app in China, racking up 400 million active users as of January 2020, who spend an average of 48.5 minutes per day on the app. Douyin's largest demographic is millennials and Gen Zers, but a growing number of users are over 35, with viewers flocking to the app's variety of content, which in China includes everything from short-form dramas to English-learning videos.

Bytedance's revenue has grown alongside its app's popularity. Last year, Bytedance raked in over $17 billion in revenue, outpacing video competitor Youtube, which earned $15.15 billion. For in-app purchases alone, Douyin and TikTok's April 2020 revenue grew ten-fold compared to the year before, up to $78 million, according to Bloomberg.

App analytics firm Sensor Tower has suggested that Douyin and TikTok could exceed $1 billion in in-app revenue by next year, drawing more money from ad sales while sharing revenue with influencers and others who create exclusive content for the app. Douyin also allows users to tip content creators using digital currency on the platform, a practice that's common in China but not yet in other countries .

Much of Douyin's success comes from its thriving e-commerce capabilities, which allow users to shop directly within the app for products they see in videos. That function is part of what has drawn both Chinese and foreign firms, searching for novel ways to reach Chinese consumers.

While in the West TikTok, Douyin's English-language counterpart, has sparked controversy over data security threats, in China Douyin has become one of the most efficient and effective ways to reach customers in the mobile-dependent society. Advertisers, ranging from luxury brands like Michael Kors to the local Family Mart, have flocked to the app, enticed by user volume and the ability to create

▲ Get your chuaner!

a wealth of highly targeted content.

The "mix and match" formula of short videos and targeted audience reach creates a perfect combination for companies, said Kay Tsoi, Associate Director of Digital at Shanghai-based PR and communications firm Sinclair Communications. Tsoi said numerous clients have approached her in recent months about how to break into the platform.

Companies can advertise on Douyin in many ways, ranging from using influencers to feature their products, producing their own campaigns and livestreams, or selling products directly in videos. At Singapore-based short-video agency UpLab, founder Fabian Ouwehand and his team provide influencer marketing and content creation services for Douyin, to help brands and influencers reach consumers.

UpLab was among the first agencies to jump on Douyin, specializing in the app's short format and utilizing KOLs to create content. Even from Douyin's earliest days, Ouwehand said it was clear ByteDance valued the creators, something that helped spur its success and attract users and consumers.

Compared to other social media apps, Ouwehand said Douyin takes a more commanding role in advertising — ByteDance has its own in-house media company that creates videos for larger brands, a factor that he said major corporations need to grasp to take full advantage of the platform and create large-scale marketing campaigns that are prioritized on the app.

At UpLab, the team works with smaller companies to help connect them with KOLs and create campaigns, whether for product sales or greater brand exposure. Their work is part of the widespread push among companies to use Douyin for multiple marketing strategies — to sell products, create credibility or simply show consumers a more relatable side of the company.

Endless options

Sinclair and UpLab are among the agencies ushering in the wave of companies from around the globe looking to expand their China reach through Douyin. And while the app has seemingly endless opportunities for companies wanting to attract Chinese consumers, both Tsoi and Ouwehand cautioned that brands need to determine that the app and its unique functions match their advertising goals.

When clients approach her about using Douyin, Tsoi's team first conducts a social media audit to the company's current online content. For big companies, she said it can be tricky to copy the more casual setup of Douyin that thrives off videos with a relatable and often niche interest, rather than heavily branded videos. And given the app's "golden formula" algorithm that sends viral videos to users' screens, if a company's first videos fail to attract viewers, it can struggle to gain traction later.

"The platform is getting so popular, but then nowadays is also when so many brands get into the platform, the audience gets distracted," Tsoi said. "It's always a challenge when you set up a channel on Douyin, [you need to be] very careful with your content that is released in the early stage, because it determines how you get organic traffic on the platform."

Ouwehand said that foreign brands need to understand that content on TikTok cannot simply be used on Douyin — the apps and their audiences are not identical. Chinese audiences prefer more sophisticated videos such as narrative-based content and knowledge sharing videos. ByteDance even bills Douyin as "China's largest platform for knowledge, arts, and cultural heritage," while in the US, TikTok is known for its funny and performance-based videos.

Brands, especially foreign ones, must recognize this shift in taste and be ready to match it. Ouwehand recommended that companies begin by using KOL influencers on the app as an easy way to reach audiences in a relatable way, a key trait of Douyin.

"I think it's good for brands to start their channel, but they need to do it with a China team; you cannot have a foreigner running that show," he said. "In China you need to do it in a very Chinese way, you need to localize it, need to stay relevant."

The right approach

For content creators, understanding the difference between typical advertising and Douyin is critical. "It's storytelling," says Ouwehand. Brands need to fashion relatable stories, rather than blatant ads. For companies less suited to selling products on the site, it can be used for HR purposes to build more brand awareness. Brands including AliPay and FamilyMart have used the platform as an HR tool and created videos featuring staff members with a "homemade" feel in an attempt to show customers a more relatable side. One mistake Ouwehand said major Western brands often make

▲ Tattoo artiste

▲ Wind power

on Douyin is overdoing a video's production value: consumers on the app like relatable content, not studio productions.

Brands with a lower price point are particularly well-suited for direct e-commerce on Douyin, Ouwehand says. "If you sell relatively cheaper products, under 50 RMB, then Douyin is good for you. The way the app is designed, [users] don't want a consideration point because then the video is gone and they can't find it."

Luxury brands, which may not be appropriately priced for quick in-video purchases, can also thrive on the app using different strategies. Michael Kors was Douyin's first luxury brand partnership, employing in-house Douyin KOLs as well as fashion influencers to post videos of themselves doing a "catwalk" with Michael Kors products and encouraging followers to post their own videos using a "city catwalk" hashtag. The "hashtag challenge" was a hit, with over 5 million views and 30,000 users posting their own catwalk videos.

As for the app's functionality, Ouwehand said that Douyin is three to five years ahead of TikTok, including the sophistication of livestreaming and e-commerce channels.

E-commerce on the site can work in multiple ways; KOLs often link from their video featuring a product to a shop on Taobao, or users can click on a link inside the video or on a banner at the top of the video. The various purchasing options give companies multiple strategies for selling.

Other homegrown video apps are also surging in China — Bilibili, Kuaishou, and Little Red Book all feature in-app purchasing and social commerce options. Each app is tailored to different niche audiences — Bilibili has a strong manga base for example — and like Douyin, offer companies a chance to target China's expansive consumer base. The growth of the broader sector helps make Tsoi and Ouwehand confident in Douyin's longevity, including continued growth of TikTok in the West.

"[Douyin and TikTok] will be around. People in the West think it will go away; that's not true," Ouwehand said. "What we will see in the West is similar to how Douyin is used in China now, people will use apps side by side. YouTube will still be YouTube, TikTok will be for short videos. In China that's happening as well. [People] still use WeChat for talking, Douyin for short videos, live streaming, social commerce. Douyin is not new already, it's a major platform or major app like WeChat. It's a good example to see where TikTok is going and where American companies can learn the most." I

IMAGINECHINA

HYBRIDIZATION

How COVID-19 Accelerated the Merging of Online and Offline Education

By Ruoping Chen

In late January as COVID-19 began to spread outside of Wuhan, the Shanghai Education Commission announced the extended closure of all schools following the Chinese New Year holiday. For Shanghai American School's deputy head and chief academic officer Emmanuel Bonin, the school's closure was a career first.

Bonin responded by calling vacationing school administrators and together they formulated a distance learning program. To fill the two-week gap before students could return to campus, teachers would pre-record their lessons, craft supplementary material and upload them online for later viewing. Coordination was a challenge. "The strategic team involved staff in 21 different time zones," Bonin recalls. "I was in Europe at that time and had to lead calls and meetings between the hours of 1 to 6 am with people in America and Asia."

It was a temporary balm. As China extended school closures from two weeks to four months, Bonin realized that "asynchronous learning with recorded lessons was not viable for the long term, and live lessons must be added." A full distance learning program was created, with teachers conducting live online classes broadcast to students spread across Asia, America and Europe.

That was the past. In early September, with COVID-19 virtually contained in China, schools and other education and training institutions reopened. But does that mean a return to business as usual? Or has COVID-19 permanently altered education?

"I think every industry is considering how they are going to change and evolve," says Bonin. "In the education industry, parents are saying, 'how are we going to get back to normal?' But we are not; we are going to transform learning in the digital age."

This hybrid model, and the ways in which new technologies can enable traditionally offline companies, is set to drive industry growth in the coming years.

Online migration during COVID-19

Online education has come a long way. In 2012, China's online education market was valued at RMB 70 billion. By the end of 2020, the market in China is expected to grow to RMB 315 billion, according to Qianzhan, a Chinese industry research institute. Impressive as that figure may be, it is a fraction of the country's entire private education market, which a 2018 Deloitte report forecast would exceed RMB 3 trillion in 2020.

A large chunk of the overall revenue is the K-12 tutoring and enrichment market, worth about RMB 800 billion in 2019, according to research consultancy Oliver Wyman. "But only 5% of that came from online education," says Claudia Wang, a partner at the firm. She expects that share to grow to 20% this year.

This trend is in no small part due to the pandemic, which while severely disruptive for offline players, has been a boon for online education. Stuck at home, 278 million students were logging onto laptops and smart phones to continue their studies. Online education heavy hitters such as Yuanfudao (400 million users) and Zuoyebang (170 million monthly active users) reported adding 20 million new students in the first six weeks of the shutdown.

As schools across the country switched to teaching students via live streams, virtual meetings and other cloud-based platforms, so too did tech-enabled companies such as TAL Education and New Oriental Education. The two NYSE-listed institutions, already equipped with online services that comprised a small percentage of their revenue, quickly migrated offline students online when their learning centers were ordered shut.

"The biggest education companies in China had made early investments into online. But previously these were often two distinct offers: you were either adopting the online or offline product," says Justin Koh, senior manager at L.E.K. Consulting. "More and more we are seeing a strategy where they are offering it as a seamless product: offline classes with online supplements. COVID-19 has certainly accelerated this whole adoption."

Back in January, training company Education First (EF) took a similar path. In 2019, EF China introduced Double Wing, a program that integrates in-person classes with one-on-one online lessons. With the technical infrastructure, digitalized material and a cloud-based platform already developed, EF China swiftly shifted from teaching mostly offline to fully online.

There is a reason that the K-12 education segment in China is thought to be recession-proof: market fundamentals are unchanged.

"From early February to early March, everyone was going online to study. All infrastructure was occupied," says Adele Bai, president of Kids & Teens at EF China. "We launched our online learning solutions city by city, as we did not want customers experiencing technical issues."

Although EF China's Double Wing software allowed them to expand capacity, close, daily monitoring of each teaching group was essential to ensure a smooth connection and sustain a consistent quality in teaching. At least 500,000 EF students migrated fully online.


IMAGINECHINA

▲ Ambulating cost centers

Bai attributes the conversion's success to moving early and quickly. "We started one of the world's largest schools in 1996. Because we had hundreds of software developers, linguists and educators on our regional cross-functional teams, we were able to provide online learning solutions in only 10 days," she says. "If other competitors started to think about the plan from the middle of March, it was already too late. Many consumers would have found alternative online classes by then."

According to Bai, for companies that made the decision early in the pandemic to shift online, if they lacked the digital infrastructure and did not have previous online experience, challenges could be plentiful: "Online teaching is not simply a livestream broadcast. Teachers should be teaching-savvy and trained in online teaching techniques. Students need to have regular virtual meet-ups with peers, and they should have a teacher dedicated to following their progress over time."

Seizing opportunity post-pandemic

That left many companies in the lurch. By some measures, China's small- to mid-size tutoring companies, which make up a majority of the country's 1.5 million providers, took the biggest hit during the shutdown, with about 70% facing severe cash flow issues, according to an Oliver Wyman report. The negative impact of COVID-19 is also reflected in results from AmCham Shanghai's 2020 Business Climate Survey. Almost 90% of companies in the education and training industry predict lower revenues in 2020 versus 2019. Another 44% said that COVID-19 would have a negative impact of 30% or more on their estimated 2020 revenues.

Fast forward to now, and the picture has become more complex — and upbeat. There is a reason that the K-12 education segment in China is thought to be recession-proof: market fundamentals are unchanged. "Chinese parents still want to pursue premium education. They still want their kids to get placed in the best universities," says Wang.

On the one hand, the fully online space is expected to consolidate, with a widening gap between the leaders and laggards. Established online leaders have the advantage of users, capital and brand awareness. Players backed by tech giants Alibaba and Tencent can also leverage their internal traffic and big data analytics to build more accurate user profiles and drive a better conversion rate. Additionally, over the COVID-19 shutdown, leading online players all offered free classes and saw a surge in new students.

"COVID-19 benefited online players, and benefited the bigger online players a lot more, as they were able to scale really quickly. They had a captive audience at home. They were able to pivot quickly, putting more marketing dollars into offerings such as free lessons. This allowed them to capture new students," says Koh.

The startup cost to become a sizable, scalable online company is considerable. "You need to invest anywhere from 15 to 100 million yuan in your first year. Leading players had been investing one to two billion yuan for the past 10 years. This tells you that you must already have been a sizable player from the beginning, or have had the backing of investors," says Wang.

On the other hand, there is still room in the online-offline hybrid space. More and more traditional offline companies are digitizing their capabilities, either by purchasing online products and infrastructure, partnering with tech companies or developing their own R&D. In AmCham Shanghai's China Business Report, 78% of companies in the education and training industry said that they had increased investment in digital technologies over the COVID-19 period.

According to Koh, parents were suffering from "internet fatigue" just months into the shutdown of education facilities. Simply put, there are some things that students could never acquire from a purely online setting, such as being in an immersive environment, with interaction and collaboration. The hybrid model has filled this gap, allowing companies to pool resources and merge online and offline advantages that were previously siloed. It is this combination of hard and soft skill offerings that has helped the industry grow into the behemoth it is.

"EF's positioning, for example, is learning English, plus gaining culture and global perspectives," says Bai, explaining their decision to adopt a hybrid model. Their online objective is to add the frequency in exposure that is essential to language learning, while offline, the focus shifts to group conversations and projects.

"We call it 'the whole child.' We use the language as an interface, as a medium, but not as the only goal," says Bai. "We want to help them learn language the best way, the fastest way, but also equip them with the soft skills to be successful."

Regional advantage

In such a huge market, growth potential exists even for small regional companies, especially those with market share in lower tier cities. Here they have built out a mature ecosystem, making it more difficult for national players to enter at a local level. In fact, Wang sees enormous opportunities in third- and fourth-tier cities over the next five years.

"If 70% of tier-one city parents with kids in K-12 schools send them to attend at least one extracurricular or tutoring program, this number is 40-50% in tier-two cities, and 30% in the rest of China; but if you look at the K-12 student population, the 'rest of China' account for 80% of the market," says Wang.

"Before COVID-19, we expected that it would take five to six years for lower tier cities to reach the 2019 tier-two level, but with the pandemic and the rise of online learning, the speed will be accelerated."

As incomes rise and internet connectivity dramatically improves across the country, consumers in these cities are becoming increasingly sophisticated and digitally savvy. Whereas education companies historically tended to focus their marketing dollars on tier-one and tier-two cities, long-term opportunities abound in previously underserved cities.

Further reasoning stems from shifts in consumer mentality. Most parents who grew up in the 1980s and 1990s, even those from lower tier cities, would have attended some form of extracurricular or tutoring program in their youth. They have a natural inclination to continue the tradition of educational investment for the next generation, especially if they are part of China's expanding, urbanized middle class.

Unlocking the potential of lower tier cities, however, means more than leveraging scale, capital and infrastructure, says Wang. "In the long run, traffic and customer acquisition is not enough, because you have to perform well in the students' renewal process as well. Here, your operational excellence matters."

According to Chinese data analytics firm Analysys, active users of online education for K-12 peaked in April, influenced by the gradual return of offline teaching since then. However, the average usage time per retained user increased from the previous year (rising from 3.04 hours to 3.45 hours). In the post-pandemic period, while big name leaders seized on traffic dividends and expansion into new channels to drive up penetration rates, smaller players focused more on dispensing high-quality education content and improving user experience, adopting a "simmer slowly" user acquisition strategy.

"In a changing market environment, quality is the key," adds Bai. "No matter online or offline, adhering to the original intention of education, winning the trust of parents and students is the way to survive and develop sustainably."

HAS CONSUMER BEHAVIOR CHANGED IN CHINA?

By Andrew Atkinson

Andrew Atkinson is the senior marketing manager for Shanghai-based market strategy, research and branding agency China Skinny. Since 2016 he has led strategic projects across the China consumer landscape from fresh and packaged F&B, to tourism, health & fitness and beyond.

A quick Google search of this question in the 'News' tab summons 413,000 results. Yet when it comes to assessing what novel consumer behaviors are here to stay and what is but a distracting blip, one needs the proverbial storm to sufficiently pass. And not just in the epidemiological sense, but most critically in the hearts and minds of Chinese consumers.

As summer winds down, why is now the right time to start reflecting? Throughout July, we saw some significant moments that showed Chinese consumers were back in control:

- Mid-June's second wave in Beijing was nerve-wracking, but in a strange way it may have helped speed up consumer activity. The feared 'second-wave' had lingered in the Chinese psyche for months. Yet it came and was quelled quickly, raising confidence that the government is prepared to handle future outbreaks.
- While controls took hold in Beijing, the 618 shopping festival netted $136.5bn in sales between Alibaba and JD, dwarfing respective Singles' Day numbers from last year. Of course, this number is always inflated, as it doesn't account for discounts, returned goods and most relevantly this year — vouchers sponsored by various government schemes to boost consumption. However, in the face of a global pandemic, the results were more than heartening.
- China's Q2 GDP growth reached 3.2%, as the US announced a 32.9% dip over the same period. State media has amplified US economic decline amid China's recovery, stoking national fervor.

My house, my castle

Even on a Purchasing Power Parity basis, China's GDP per capita is only a third of the US's. Take that back 10 or more years and the ratio was fractional. Consumers tended not to spend money on in-home upgrades but on purchases that more publicly showed off their wealth. With most everyone confined to their homes at the start of 2020, purchases shifted to upgrading homes and investing in in-home habits and activities. That change looks here to stay. A June-July China Skinny survey of 800 tier one and tier two consumers asked about eating habits both pre-COVID and for the next 12 months. Whereas pre-COVID respondents evenly split their time spent cooking at home vs eating out/deliveries, they expected that to shift closer to 75:25 over the coming year.

One of our clients in the tableware category has seized upon this opportunity. With subscriptions for cooking classes accelerating, they partnered with a fast-growing class provider to have their tableware products as part of the cooking/plating experience.

Growth in some categories is obvious. Home appliance sales have also skyrocketed throughout the year, as have fresh/grocery e-commerce platforms. Data shows that purification and sterilization air conditioner sales on JD.com increased 10 times YOY during June 1-2, while sterilization refrigerator and washing machine sales increased 550% YOY. Most critical for brands is to consider how and where consumers are now spending their days, be it for product opportunities or just more resonant marketing. Maia Active, a domestic activewear brand, has seen strong pick-up from its campaigns supporting in-home workouts (an 'untapped activewear market', as they put it) throughout the year. Les Mills, the global gym class guru, created a whole new direct-to-consumer model to cater to this need.

Is your product now more relevant for a consumer who spends more time at home? Consumers are open to creativity, and brands that show they intimately understand their changing needs will be rewarded.

Thrift shop

Who remembers eBay's catastrophic failure in China? Three years ago, Alibaba held a press conference for one of their new VIP user programs. They invited a handful of consumers who had spent a minimum of 1 million RMB a year on Alibaba platforms onto the stage (the threshold for this VIP program). One proudly declared "I don't ever wear the same outfit twice, so I end up spending a lot on fashion." Everyone applauded in admiration.

Now, for the first time, the concept of 'thriftiness' has entered the consumer psyche with some measurable impact. Government researchers have predicted second-hand goods sales to top $141bn this year. The Alibaba second-hand goods platform XianYu kicked into gear in February and March, with users looking to 'Marie Kondo' their lives. The platform is increasingly investing in extra features and location-based functions to keep users' attention and support the habit beyond just a COVID clear-out.

Keep in mind that most consumers in China have never before bought secondhand goods. Now that millions have taken the plunge on the platform (or elsewhere — WeChat groups have been brimming with secondhand sell-offs) and have had a positive experience with it, brands need to sense what this means for connecting with their consumers. Suddenly longevity is starting to climb up the list of needs for certain products. By no means does China have the 'buy it for life' mentality that you see in the West, but when paired with burgeoning messaging around sustainability, this area could quickly grow.

> Livestreaming's authenticity will keep driving the platform forward. Nowhere else can consumers tune in and see the live, unedited application, consumption and usage of products.

▲ Not the marketing David Ogilvy imagined

Livestreaming: why aren't you doing it yet?

If you're a brand operating in China, there's a good chance livestreaming should be a significant part of your strategy. Yet only a few years ago, the world of livestreaming mostly just concerned hobbies, gaming, sports and teen culture. Livestreaming gained immense momentum from its dominating performance in last year's Singles Day (half of all Tmall merchants employed live-streaming initiatives), but COVID has made it an unstoppable force.

Today nearly anything you can think of is livestreamed. Everyone from chefs broadcasting cooking lessons and farmers shifting their harvest, to agents flogging real estate or even heavily discounted multi-million dollar rockets. Professional livestreamers are now bonafide celebrities. One of the most powerful marketers in the world right now is Viya, who recently answered 'less than 10 billion RMB' when asked what she earned in the past year.

This shift was bound to accelerate. Livestreaming became a logical answer to those locked down at home looking for both a shopping fix and entertainment. These streams could be described as infomercials on steroids. Hosts put on a show that includes running through segments of brands, products or origins and engage with their audience, who feverishly enquire, comment and react in the hopes of netting extra discounts, free products or gifted money — or just purely for the fun of it.

Livestreaming's authenticity will keep driving the platform forward. Nowhere else can consumers tune in and see the live, unedited application, consumption and usage of products.

One seafood brand has found great success in employing a livestreamer to stream 4-6 hours a day, every day, as a part of their Tmall flagship experience. Whenever viewers visit, they can jump in the livestream and see this familiar face cooking up something new, showing off recipes or thawing/handling methods, talking in detail about the products and answering live questions. In many ways it is the natural progression of customer service. For this brand, 15% of all orders are made through the livestream, and the average transaction is RMB 300, versus RMB 180 through the normal flagship experience.

There is a wide variety of dynamic opportunities available in China's consumer market at the moment. With other export markets looking beleaguered, grabbing hold of the China market while it has momentum could be a game changer in these troubling times. As one China head in beauty tech recently said after his business went from $1m gross merchandising volume to $300m in three years: "The great thing in China is when your initiative fails, it fails quickly, and you can move on. But if it goes well, it could be the cornerstone of your global business." I

THE RIGHT ELEMENTS

Q&A with Yoke Loon Lim

Yoke Loon Lim is President, Greater China of Dow, leading all geographic activities in China, Hong Kong and Taiwan. Prior to this, Lim was General Manager of Dow Coating Materials, Asia Pacific. Lim joined Dow through the acquisition of Rohm and Haas in 2009. He started at Rohm and Haas in 2007 as the GM of the coatings business for SE Asia. Lim also spent 11 years with Ciba Specialty Chemicals where he held various leadership roles in sales and marketing, before joining Dow.

Dow makes products for a range of industries – oil and gas, automotive, food and beverage, pulp and paper, etc. Currently, what are the company's most important business segments in China?

We participate in four major segments — packaging, infrastructure, consumer goods and mobility. All these segments are in line with megatrends ... and in line with current and future growth in China.

China is home to 50% of the world's new construction projects, and with continuing urbanization, this trend will continue. The recent announcement on the new digital infrastructure investment — more than ten trillion RMB — as well as the infrastructure retrofitting of older buildings present fantastic opportunities for us. Recent trends show that consumers and governments are looking for safe and environmentally friendly buildings, so we have various products to take advantage of this demand.

Take our silicon sealants, for example. They provide an airtight bonding of glass to the joints of buildings, and yet they are elastic so they can withstand extreme weather including typhoons and strong winds. They provide long-term durability, so are not only used in iconic buildings but also in bridges and braces.

Several years ago, running tracks were found to be producing toxic emissions. In the last few years, we have worked together with local governments and value chain partners to build environmentally friendly, water-based running tracks. These provide safe sports infrastructure for students in schools and have been welcomed by both consumers and governments.

Lastly, China is the world's largest vehicle manufacturer and largest market ... and an industry with many innovative solutions, whether for traditional motor vehicles or new energy vehicles (NEVs). We have a wide range of NEV products, such as plastics that improve impact resistance, composites that improve strength and durability but which are up to four times lighter than steel, and heat management products. Core to NEVs is very often the battery, and we are working to find innovative solutions for battery manufacturers.

How many production facilities does Dow have in China and do you anticipate investing in more over the next decade?

We started with a small sales office in Guangzhou in 1979. Now in China, we currently have eight manufacturing sites, sales offices and more than 3,200 employees. It's the second largest market for Dow in the world. The Shanghai Dow Center alone is home to 400 scientists in 100 laboratories.

Even during the pandemic, we were one of the few companies still making further investments. We signed an MOU with the intention to invest an additional $300 million into our Zhangjiagang site over the next few years. The site manufactures a wide array of products but mainly focuses on silicon goods.

What are the primary factors that determine where you put a production facility?

First, we make investments close to the market — close to customers. Second, the nature of our operations demands that our production location be easily accessible for both our raw materials entering as well as our finished goods exiting. Some of the raw materials involve bulk shipments coming in locally or from overseas, so accessibility is important for us to provide cost-effective finished products to customers.

As an example, our largest manufacturing site in the Greater China region now is the one in Zhangjiagang. In 2009, when we decided to invest in Zhangjiagang, one of our key considerations was the government's agreement to provide a jetty for us at our site, which enabled us to offload bulk shipments of raw materials and load our finished products for transportation to our customers.

Another reason is the talent pool. Cost is one consideration, but we want to build our manufacturing sites in places where we can attract talented people and develop them. We maintain partnerships with universities in China so that we can engage in campus recruitment while exchanging knowledge with the institutions.

> **Cost is one consideration, but we want to build our manufacturing sites in places where we can attract talented people and develop them.**

COVID-19 hurt many industries. Can you talk a little about its impact on Dow?

We were very clear on what our key priorities were from the start of the pandemic in China. Number one was the health and safety of all our employees and the community. As to the community, we were one of the earliest companies to donate supplies. We also worked with value chain partners to produce products such as PPE that we provided to frontline medical workers.

Equally important was to stay committed to our customers. So, throughout the pandemic, our Zhangjiagang site continued to operate, and by February 9, many of our other manufacturing sites were restarting operations.

Another thing we learned from the COVID-19 situation is the value of digitalization. We didn't see the virus coming but we had seen digitalization becoming a trend, so it was already one of the key strategic focuses for Dow in Greater China — an area we have invested in and tried to build a culture around. For example, we started our digital sales platform, 1688, two years ago with Alibaba, so it was easy to accelerate our efforts in digitalization when the pandemic hit. On 1688, we have started livestreaming, which allows us to better engage with customers. COVID-19 has accelerated digitalization at Dow.

The recovery in China caught many by surprise. The health and hygiene segment has grown by a multiple of four. The infrastructure and automotive segments have also seen very rapid recovery since April.

How much research and development does Dow do in China? Are there research areas in which Chinese chemists, engineers and material scientists have special expertise?

The chemical industry and the materials science industry are so vast that each company — local or multinational — has their strengths.

Focusing on what we have, with our R&D center housed in Shanghai Dow Center, the largest integrated R&D hub outside of U.S. for Dow, with 100+ world-class labs and 400+ scientists, we can provide very good solutions to the industry segments that we want to serve.

Packaging materials are an example. China is in a league of its own — no other country comes close — when it comes to the success of e-commerce in the country. So, we work with our value chain partners to come up with a packaging material that requires less raw material to produce and offers better durability.

You have been president of Dow China for almost five years. What have been the most profound industry changes you have seen in this period?

Firstly, I think it is the growth in consumer knowledge. Due to e-commerce, consumers are becoming more educated, so they are demanding better products.

Digitalization has also transformed the industry. For example, the livestreaming I mentioned earlier would have been unheard of five years ago. To be successful, we are tapping into a new group of talent that has the capabilities for us to excel in this area.

The third thing is sustainability. Compared to five years ago, demand for sustainable goods is much stronger. The goal to keep the environment clean was initiated by the government but now is in the minds of consumers. We are working with government agencies and our industry to drive for a more environmentally friendly operating environment and society.

China wants to move further up the industrial value chain. What does the country need to do to accelerate that ambition that it is not doing now?

China needs to continue investing in innovation. Not just in low-cost production, but also in its ability to provide innovative solutions to the whole industry. The government is putting in a lot of effort to support MNCs, but it will be important to provide more support so that more MNCs are willing to invest in R&D here. I

ONLINE EXPANSION

In December 2018, having seen that the future of B2B in China was digital, even for large-scale industrial manufacturers, Dow established a presence on 1688.com, a Alibaba wholesale e-commerce platform that displays and sells products from millions of domestic and international industrial brands.

Today, Dow's 1688-hosted site has over 120 products on its 'shelves,' and provides an online chatting service to support technical and sales enquiries. In addition, the Dow online store hosts webinars as well as product promotions.

All of Dow's businesses use the e-shopfront to tap into long-tail markets and potential customers. It is also a place where the company gathers first-hand market intelligence to bolster future marketing campaigns and new product innovation. As a Dow spokesperson says, "The e-shopfront provides a transparent and open channel with Dow end-users which creates new business opportunities. Meanwhile, Dow customers find an end-to-end solution to purchase Dow products."

CHINA PERMANENT RESIDENCY A PRIMER

Photo of the Shanghai Zhangjiang National Innovation Demonstration Zone

By Ray Xia

Ray Xia is a manager with PwC China Global Mobility Services, specialising in immigration services. She has extensive knowledge and experience in immigration. She advises multinational companies in industries including banking, automotive manufacturing, telecommunications and engineering. She manages large-scale immigration projects for new business operations across the globe, including liaising with local government.

China temporarily suspended entry into mainland China for foreign nationals holding valid visas beginning March 28, in response to the rapid spread of COVID-19 across the world. Foreign nationals entering China for necessary economic, scientific or technological activities or for emergency humanitarian needs may apply for an entry visa with the overseas Chinese Embassy/Consulate. Entry of foreign nationals with visas issued after this announcement will not be affected.

Due to the travel restriction, which has not been given an expiration date, many foreign nationals who hold a valid residence permit for working purposes are prohibited from entering China during the outbreak. Further, because of current stringent requirements on newly issued visas, many foreign nationals have been denied visas. However, in most cases, Chinese citizens and permanent residents are permitted to enter the country. This has led to a surge of inquiries about China's "Foreigner's Permanent Resident Identity Card" (FPRID), also known as the Chinese Green Card.

China permanent residence trend

China's permanent residence policy, "Measures for the Administration of Examination and Approval of Foreigners' Permanent Residence in China," was enacted in August 2004 by the Ministry of Public Security and the Ministry of Foreign Affairs to standardize the examination and approval of foreigners' permanent residence.

With a growing population of foreigners investing, working and living in China, the Chinese Green Card policy has since been upgraded and made more transparent. In May 2017, the Ministry of Public Security updated the permanent residence card to provide more convenience and functionality. It now more closely resembles the Chinese ID card and can be scanned more broadly for identification purposes. The new Foreigner's Permanent Resident Identity Card (FPRID) has gradually replaced the old Foreigner's Permanent Residence Card (FPRC). The new FPRID aims to "ease the life of a foreigner in China" and to attract innovative and entrepreneurial talent.

Main benefits of Chinese permanent residency

Chinese officials have stated that the FPRID is designed to provide foreign residents with "increased functionality" and give them "a sense of belonging" in China. Immediate family members of applicants can also apply for a FPRID alongside the main applicant.

The new FPRID is machine-readable and can be used on a wide range of service platforms, allowing holders to enjoy the same privileges and bear the same obligations as Chinese nationals. It can be used in service sectors such as finance, education, medical care, transportation, telecommunications, social insurance and taxes.

As a Chinese permanent resident, you are able to:

- Work in China without a work permit and residence permit
- Have unlimited residence in China within the card's 5 or 10 years' validity
- Apply for social insurance and receive medical insurance at the basic urban level and social endowment insurance (社会养老保险).
- Pay for and use the China housing fund, which includes withdrawing or transferring the housing fund in accordance with the Administrative Regulations of Housing Fund
- Purchase a self-use/self-occupation commercial apartment without needing to have first worked or studied in China for several years.
- Establish foreign-funded enterprises

with reduced investment taxes and exchange costs

- Attend nine-year compulsory education at public schools (for children)
- Have the same rights and bear the same obligations and statistics jurisdiction for banking, insurance, securities and other financial transactions as local residents
- Be given the same pricing when shopping, traveling, buying tickets to public facilities and entertainment venues as local residents
- Use the FPRID as an ID card for boarding planes, buying train tickets and checking into hotels within mainland China
- Have the same rights when applying and registering for vehicle driving licenses as local residents, including bidding for license plates
- Enjoy a simplified and expedited procedure when joining or restoring Chinese nationality

Who can apply for China permanent residence?

Immigration requirements in China vary from province to province or city by city. While changes to the national legislation relate merely to the design and functionality of the card, cities like Shanghai and Beijing have adopted additional policies that expand the eligibility criteria and shorten the overall application time. Some regions have also adopted additional measures to streamline the eligibility and process of applying for permanent residency. Shanghai was the first city to implement new measures, with other cities largely mirroring these changes with slight variations.

In Shanghai, former Chinese nationals who work in the Shanghai Zhangjiang National Innovation Demonstration Zone or China (Shanghai) Pilot Free Trade Zone (hereinafter called "Double Zones"), or in the demonstration base of "mass entrepreneurship and innovation" (hereinafter called "Double Innovation") area for at least four consecutive years, with a good tax filing history, and who have lived in mainland China for no less than six months each year, may apply for permanent residency.

In 2015, Shanghai expanded its eligibility criteria to include five additional categories for foreigners who meet a certain threshold of expertise or income level. In addition, it

also shortened initial permanent residency application processing times from 180 days to 90 days.

Likewise, if a foreigner meets the criteria of high-level talent, as set by Beijing Zhongguancun (a technology hub in Haidian District), and are recommended by the Administration Committee of Zhongguancun, the application process will be further simplified and the success rate for applicants is extremely high.

How to apply for China permanent residence

Here are the primary documents needed for the permanent residence application in China:

- A health check report issued by a domestic entry-exit inspection and issued within the last 6 months
- A criminal record or background check, which shows no trace or history of any kind must be verified by the overseas Chinese Consulate/Embassy
- When applying for the permanent residence card through employment, company letters, licenses and tax payment certificates are required
- If the applicant was once of Chinese nationality, the former mainland Chinese citizen shall also provide their previous private passport and overseas permanent resident certificate
- For accompanying family members, applicants must submit proof of relationship (marriage certificate, birth certificate, or proof of kindship), as well as evidence of stable housing and income when relevant
- In some cases, certification issued abroad must be verified by the Chinese Consulate/Embassy, such as relationship certificates

The application will be processed within 180 working days after all the required documents are submitted. Time for investigation is excluded if some items need to be investigated by the Exit-Entry bureau.

Preparation work for the green card application is burdensome and time consuming. As discussed earlier, the applicants might need to procure some necessary documents from overseas for application. If applicants spend the majority of time in China and cannot obtain the documents remotely, they may have to fly to their home country to procure and legalize documents. Given the current travel restrictions, applicants should consult with their immigration specialist.

Why some people hesitate to apply

Many foreigners have concerns about getting a Chinese Green Card, as they are not sure whether this will impact their tax residency status in China, or whether they will have a worldwide taxation obligation in China. This depends on whether the individual establishes a domicile in China for any purposes (such as work, study, or visiting relatives), as well as his/her intention to permanently stay in China.

Due to the complexity of the permanent residence application, applicants are strongly recommended to have a personalized assessment and a feasibility assessment performed by a professional immigration agent. There are different categories or ways one may apply for the green card. Strategic advice may enhance your application in an effective way. I

AMCHAM SHANGHAI HEALTHCARE COMMITTEE EXPERT COUNCIL CON-CALL SUMMARY, FRIDAY, JULY 31ST, 2020

LEVERAGING CHINA PARTNERSHIPS TO ACCELERATE GLOBAL HEALTHCARE INNOVATION AND MARKET ACCESS

By Bing Chen

COVID-19 is reshaping China's healthcare industry, accelerating pre-existing trends. During AmCham Shanghai's Healthcare Committee expert council concall, held on July 31, business leaders focused on how to advance innovation and market access by leveraging China partnerships.

Anita Wei, VP government affairs of Danaher China and vice chair of AmCham Shanghai's Healthcare Committee, began the call by noting that the government is launching more open policies for foreign companies to invest in publicly traded local companies.

Greg Scott, founder and chairman of ChinaBio® Group and the chair of AmCham Shanghai's Healthcare Committee, provided a rosy picture of the healthcare industry from an investment perspective. Scott has been tracking healthcare investment trends for years and he found, surprisingly given the COVID situation, that IPOs, VC funds, and cross-border investments and partnerings are particularly active globally compared to 2019. The US remains the primary target for inbound and outbound investment and partnering, but the EU and Asia are catching up.

Parnerships in digitalization

Many member companies are experiencing rapid growth in e-commerce. One member company noted that their e-commerce growth in Q2 was exponential, and on the way to a full recovery. This, plus other factors, has encouraged them to transform their growth path, which will require different levels of local partnership.

One pharma company executive said that after becoming aware of a significant drop in patient volume in traditional channels during March and April, they reached out to digital platforms such as Tencent, WeDoctor, Jianke, etc. Although there was internal debate about the high cost of using digital platforms, the company believed collaborating with the digital platforms would be a win-win for the long term. Gaining better patient insights and establishing data assets via digital platforms will help drive future growth.

A foreign hospital executive said that 80% of its sales and marketing had shifted online. They have also joined the live streaming craze in China. They are diving deep with Alibaba and TMall to reach the entire community in China. Another digital space they are exploring is internet hospitals. While it is a critical touchpoint, there are issues to be considered, such as data protection. Regu-

latory compliance remains a challenge, as do other telemedicine practices.

This theme was echoed by another healthcare consultancy executive, who noted the active partnership between data owners and those with access to patient data. He believes health data will be heavily restricted in the future, supported by new technology and infrastructure around data protection.

Exploring partnerships of all levels

Apart from partnerships in digital space, there are other partnerships to explore.

One member said that their leading products in the transcatheter business are highly-priced but not reimburseable. In the US, Europe and Japan, the product is completely reimbursed, because they proved that healthcare costs decreased when using these products. The company hopes to work with private insurance companies. Other interesting local partnerships include those that will help develop a wider universe of hospitals and patients for their clinical care technology. While the capital sales cycle for these products is extremely long, they have insufficient sales capacity.

One hospital member said collaborations have increased between the public and private healthcare sectors post-COVID-19, and confidence in these partnerships has been built.

Other impacts to innovation and market access

Some participating members mentioned that there is a push for the use of local products over US products, due to worsening US-China relations. One member suggested leveraging local partnerships to help with market access. Another pharma company member, however, said the Chinese government will not turn against innovative products that can bring value to patients. Serving patients better is their primary goal. This underscores the importance of innovation for companies.

The Chinese government is implementing localization initiatives in medical technology. Fully fledged localized medical technology will be one of the government's foci post-COVID-19. MNCs now have easier access to localize their R&D as well as manufacturing capacity.

The unsettling US-China relationship is another reason for MNCs, particularly those with a big stake in China's market, to further localize. One member recently expanded their manufacturing capability in a nearby city in order to avoid potential supply chain stability issues. Their goal is to become a truly local company.

However, in the investment field, cross-border deals are not impacted by US-China tensions. "The process of getting the deal done is impacted, but there are no roadblocks in doing that," said Greg Scott. I

Event Report

FOOD, AGRICULTURE & BEVERAGE CONFERENCE: SERVING A NEW TOMORROW

Shanghai's food, agriculture and beverage industry leaders gathered to share insights and expertise on July 30 at AmCham Shanghai's 10th annual Food, Agriculture and Beverage Conference. As China continues to recover from its worst days of the COVID-19 pandemic, food and beverage companies are pivoting from crisis management mode to invigoration and innovation. The conference featured executives from well-known brands including Coca-Cola, HEYTEA and McCormick & Company, who spoke about their recent experiences navigating the early days of the pandemic and how their companies are pivoting now to face challenges and tackle new opportunities.

Jason Yu, Managing Director of Greater China at strategic consultant firm Kantar Worldpanel, served as the day's keynote speaker. Yu opened the conference by offering an analysis of some of the key food and beverage trends that have emerged this year and the

prime areas of growth in the industry. Despite a 7.7% dip in the F&B market during the first quarter of 2020, the second quarter has seen recovery, with 1.8% growth as consumers regain confidence to shop and dine outside the home.

The first panel, "Road to Recovery," focused on how companies navigated the critical early days of the pandemic and how they emerged from the crisis. During the second panel, "Into the Foodture: Alternative Protein" leaders discussed the emerging market for plant-based proteins in China. The third panel, "From Surviving to Thriving," focused on how companies have used new social media strategies, such as livestreaming, to reach customers during this time and grow their business. The final panel focused on how companies are pivoting as they emerge from the crisis.

The day ended with AmCham Shanghai's third annual FAB awards, to recognize innovative and pioneering food and beverage companies. This year, HEYTEA won the "Best Food Tech Award," while linen and uniform rental business Alsco won the "Game Changer Award."

AMCHAM SHANGHAI FUTURE LEADERS OF THE YEAR 2020 AWARD CEREMONY

AmCham Shanghai hosted its fifth annual Future Leaders of the Year awards on August 11, recognizing some of the city's most innovative young professionals. This year's awards recognized individuals who have made unique, socially conscious, and exciting contributions to Shanghai's business community and who have shown a dedication to using their talents to improve the world around them. We are excited to announce that our 2020 winners are Li Zhang of RADII China for the Future Leader Award, Jill Tang of Ladies Who Tech for the Social Impact Award, and Weiqi Zhang of Blue Oak Education Group for the Entrepreneurship Award.

As the president of independent media group RADII China, Future Leader Award winner Li Zhang works to authentically amplify Chinese voices. Serving in her role since November 2019, Zhang aims to build a bridge between China and the world, a goal she's achieving at RADII, which reaches roughly one million users each week. Zhang hopes to use storytelling to change the world's perception of China and to recognize the country's vibrant and diverse culture.

Social Impact Award winner Jill Tang is the co-founder of the social enterprise Ladies Who Tech, an organization dedicated to closing the gender gap in the STEM industry. Ladies Who Tech uses recruitment, education and events to build a community of women working in a wide variety of STEM professions and to celebrate gender diversity. With over 30,000 members throughout China and Southeast Asia, the organization aims to change the status quo in the industry and bring women together.

Entrepreneurship Award winner Weiqi Zhang founded Blue Oak Education Group as a way to bring international education resources and opportunities to students and their families across China. Blue Oak's social network platforms reach nearly one million parents daily, and the group also offers three international education programs to students in Shanghai and Chongqing. At Blue Oak, Zhang's goal is to help Chinese students seize educational opportunities and prepare them to succeed in the professional world.

AMCHAM AUTOMOTIVE CONFERENCE: ADAPTING TO A TWO-WORLD SCENARIO

Leaders from both some of the world's largest automotive companies as well as cutting-edge startups came together at AmCham Shanghai's 2020 Automotive Conference on August 26 to discuss the outlook and future of the industry. As much of the world's economy continues to struggle under the weight of COVID-19, China's auto industry has seen a strong recovery, beginning for many companies in the second quarter. Executives discussed the strategies their companies have used to re-instill consumer confidence, shore up supply chains and head into the second half of the year financially strong.

The future of automotive and electric vehicles were two topics at the forefront of the day's discussions, as companies and consumers alike prioritize connectivity and digitalization in mobility services. Automotive Committee chair and founder and CEO of advisory firm Autobility Bill Russo introduced these issues as he opened the conference, giving an overview of the industry heading into the second half of 2020.

The first panel of the day discussed the state of their companies coming out of the worst of the pandemic in China, reaffirming that many companies saw a strong rebound in sales in the second quarter after a lossmaking start to the year. While the consolidation of companies, particularly local EV companies, will continue, the most committed, agile players will remain in the market and ready to tackle emerging trends.

Jonathan Woetzel, MGI director and senior partner at McKinsey Consulting, followed the panel with a talk on how the generational economic shock caused by COVID-19 has specifically hit the auto industry. While in the shorter term the pandemic slowed down some innovations in areas like autonomous vehicles as companies looked to save costs, in the long term there will be the continued acceleration of major automotive trends. A notable shift now will be a more cautious consumer, one who may be wary of public transit and shared vehicles.

The second panel discussed the ways in which their companies have dealt with the weaknesses in their supply chains that were exposed by the pandemic. More companies are working to localize their supply chains and minimize their risk exposure. The pandemic showed companies the need for transparency in supply chains and to work carefully with the chain's weakest links to ensure they are stronger in the face of another black swan event. Above all, panelists said the pandemic proved the need to work with a radical mindset, because today's technical innovations are tomorrow's commodities.

As the central government's policies surrounding electric vehicles continue to change, Gang Jia, deputy director of TEDA Automotive Industry Promotion Bureau, offered a briefing on the latest policy directives. Like much of the industry, many of the latest policies are focused on clean energy, including carbon emission standards and low fuel consumption vehicles.

The third panel discussed the ways in which companies will push the growth of the electric vehicle sector in both the immediate and long-term future. In the short-term one of the key growth drivers will be more widespread public marketing to create more consumer trust and buy-in to the sector. In the longer-term, panelists said the products themselves would grow sales.

The final speaker of the day was Jianxiong Xiao, founder and CEO of AutoX, who discussed the future of autonomous mobility on demand. Xiao introduced the idea of the democratization of autonomous vehicles, making them accessible to every consumer. I

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Committee Chair's Corner

Q&A with Juju Wang, chair of the Art and Culture Committee

Juju Wang is chair of AmCham Shanghai's Art and Culture Committee. She is an artist who mixes Chinese culture and traditions with contemporary visual techniques. Her works have been exhibited in China, the US, France, England, Switzerland and South Korea. She has had numerous collaborations with luxury brands, including Acqua Di Parma, Ap, Dior, Canada Goose, Givenchy, Swarovski, Tiffany and YSL. She was awarded "Future Leader of the Year" by AmCham Shanghai in 2019. In 2020, she was included on the "Youth Power 30" list by Art Power China.

By Andre Lai

What are some of the main things that you hope to achieve through the Art and Culture Committee?

There are several aspects that the Art and Culture Committee wishes to achieve. Firstly, we understand the importance of spreading art as a tool for informing people in the world of not just artwork, but also of the artists, their history, and how art can change the way we see our lives and the world. Secondly, we were interested in creating a community where art lovers, galleries, curators, media and agencies can connect with the artists themselves for a better understanding of each other's field and also to collaborate together. Last but not least, we wanted to bring together artists from different mediums and cultures as a way of exchanging ideas, and in some cases, even working together using each other's knowledge and expertise.

Why did you choose to pursue a career as an artist and what do you consider the most enjoyable aspects of your career?

I am not a function-driven individual but rather an emotional one. I am more interested in the influence of an object at a sensory level rather than its practical use. Art has given me the opportunity to travel, explore and discover places and stories, that later on I translated into experiences that made a change in the eyes of the viewer.

At the same time, the process of creating has established not only a very intimate dialogue between myself and the object that I shaped, but also a dialogue with the public. Not being a talkative person myself, I used art as a way of communicating with the outside world; and through their notes, online sharing, promotion, and comments, viewers have responded back.

What are your views on the art scene in Shanghai? What is your favorite museum or gallery and why?

Shanghai is an open-minded, highly international city and I believe that its art scene has significantly grown through the recent years. People here are more open to new ideas and they are interested in fresh experiences. That is the reason why we can see many important artists on display and globally known shows happening here.

It would be hard to pick one museum or gallery, since there are so many that I enjoy going to. I think that it really depends on the ongoing exhibitions for one to pick one place instead of the other.

Could you provide some insight into your typical installation work process and any of the challenges involved?

The creation process always starts with an idea inspired by real life emotions, that slowly takes shape into its physical form using help from professionals. The projects are generally pretty fast-paced, and probably the most challenging part of the process is managing to reach the initially envisioned aesthetical and sensory level within a relatively short amount of time, so that the final product becomes a mesmerizing experience for the public.

What aspects of Chinese tradition and culture are you most inspired by and how do you convey that through your artwork?

What I look for is mostly the culture, stories, beliefs, customs, and the community's connection to nature that lies behind every traditional handicraft, rather than the process of making the object itself. As an example, in the case of [my installation] House of Clouds, the purpose was to capture the soft, eased feeling of the people who practiced this traditional technique of making dai paper. The installation invited the public into a world where kindness, calmness, connection and togetherness were core values practiced every day by the community and I wished to translate that beyond the paper-making.

How did exhibiting your artwork in various countries in both the East and West provide you with insight regarding how different cultures and nationalities perceive or interpret art?

My art stands at the meeting point between the East and the West, which makes it familiar for both sides but in a different manner for each. For the East, it becomes an extension of the traditional arts and crafts, while for the West, it becomes an educational and an explorational field using their modern techniques. I use Eastern materials in a Western way, taking history, preserving it, and making it usable in the present times.

You've collaborated with several renowned luxury brands in the past. What do you consider to be the most significant things that you have taken away or learned from those experiences?

The luxury brands that I collaborated with also have very active art foundations, which means that they already have established a viable dialogue with the art world and artists themselves. They have always showed respect towards my artistic point of view, vision and way of expression, which made it very

▲ House of Clouds

easy to collaborate with them while also showing the same amount of respect for their legacy, history and core values that benefit us all.

What are your views regarding companies employing artists in their branding or other marketing projects? What do you think are their motives behind this?

Art has always been a universal language, known and understood by everybody, regardless of their status, background, age, and cultural belonging. It has served as a way of educating oneself, escaping the real world, or sharing awareness. Art can heal and help individuals and communities and bring people together as a whole, especially nowadays when we are faced with a shifting reality and a constant need to adapt. I think companies are aware of the power that art has and it has become a tool for communicating and engaging with the public in an eased way that is accessible for everybody.

Some people may decide to invest in the work of budding artists in the hopes that the pieces will become much more valuable in the future if the artist's career takes off. From an artist's standpoint, what are your views on such investments in contemporary art?

I strongly believe that one should purchase whatever resonates with oneself. Art is personal and intimate; it should only be bought if the future owner truly believes in the beauty of the object, since they are going to be surrounded with its energy. My suggestion would be to only acquire an art object if it responds to the needs, thoughts and emotions of the person that is going to have it. If the artist's career takes off, it becomes a bonus.

Jill Tang
(Ladies Who Tech)

Winner of AmCham Shanghai's Social Impact Award

By Andre Lai

Could you give a brief intro of your personal, educational and work background?

I was born and raised in Shanghai, but I was educated in Australia where I studied accounting. I also received a master's degree in applied finance and an MBA degree from Melbourne University.

I started my career in Australia at a French insurance company called AXA, where I began as an analyst and worked my way up their finance department. I moved to China eight years ago and founded two startups before Ladies Who Tech. The first was a recruitment platform for Chinese overseas returnees, called CareerXFactor, and the second — TheBrewGirl — focused on promoting craft beers in China.

Considering your educational background centered on finance, why did you create a startup around the STEM industry?

I always believed that some things in life happen either by choice or by chance. I don't have a background in STEM, but I got drawn into this journey when my cofounder Charlene Liu said, "Hey, let's build a community focusing on women in STEM!" and I jumped aboard.

As we were building it up together, I actually developed my passion in women's STEM along the way. My drive is not from the personal experience of being subjected to stereotypes or biases in the STEM industry; it instead comes from the knowledge that what I am doing is changing people's lives, and that's not something that money can buy.

Could you give a brief overview of Ladies Who Tech?

Ladies Who Tech was founded in March 2017. We are a platform for the next generation of women in STEM. Through recruitment, education and networking, we try to inspire women and lay out the possibilities for them to potentially discover their newfound interest and potential in STEM. By providing them with a starting step into the industry, we hope to increase female representation in workplaces.

We work with companies such as Microsoft, Morgan Stanley, IKEA and eBay to hold sharing and recruitment marketing sessions. They serve to showcase the company cultures as well as female role models from the companies. We also hold annual conferences that celebrate the recent achievements of women in the STEM industry.

What are your responsibilities? What do you consider the most enjoyable aspect of your job?

I am mainly responsible for overseeing the company's vision and strategy, as well as its innovation and product development.

While I manage the development of tech products like our own mini program, I'm also looking for innovative ideas for events. For example, on Women's Day last year, we worked with Goose Island and co-brewed a beer that we then called B3 — Beer Beyond Bias.

My favorite part of my job is feeling like I contributed to people's lives in a positive way. When people say that their lives have been completely changed because of us, that's something I'm very proud of.

What are Ladies Who Tech's next steps in the years to come?

My vision is for us to become a tech company that uses technology to address the gender gap and close it. We may not find a simple cure, but we are looking to work with corporate and government entities to develop potential solutions. Few startups last over three years. We've been running for three-and-a-half. I think we're ready to go bigger. We're looking for investors. We're achieving good results, but I think that in order for us to have a sustainable impact, we need to leverage the power of capital. I

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