Industry Focus 行业焦点
透视中国教育产业：增长无处不在，但需明智地选择机会
Understanding China’s education “industry”: Growth is everywhere, but choose specific opportunities wisely

Insights 市场洞察
中国反垄断执法最新动向
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Latest developments of China’s Anti-monopoly Law and coping strategies

Viewpoint 观点
赢得中国电子商务市场
Winning eCommerce in China
In the coming year, On the Beam will continue to bring you the latest in-depth industry knowledge. We hope our insights can help you discover opportunities to make the right business decisions in Greater China.

There has been growing interest in Mainland China’s education industry in recent years. Rising incomes mean a larger number of Chinese citizens have more money to spend on education. Meanwhile, the government is making changes to its education system. There is a widening gap between what the people can afford and what the government can provide. For private investors, this creates a range of opportunities. Yet which segments could likely lead to successful outcomes?

The report on Understanding China’s education “industry”: Growth is everywhere, but choose specific opportunities wisely is co-written by Matt Fish and Sherry Lee, Partner and Senior Manager of Parthenon Shanghai. EY has combined with global strategy advisors, the Parthenon Group, which is ranked among the top 10 management consultancies globally. This is an important step in our ambition to expand through strategic acquisitions.

There are other interesting reports contributed by our sector experts and we hope the industry insights can help our clients identify business opportunities in the region.

I wish to thank you – our clients and business associates – for your support of On the Beam over the past year and I look forward to your continued support.

Albert Ng
Chairman, China
Managing Partner, Greater China
Understanding China’s education “industry”: Growth is everywhere, but choose specific opportunities wisely.

Challenges and opportunities for Chinese companies to navigate global markets.

Winning eCommerce in China.

First-half of 2014 results for China’s listed banks.

Forensic accounting and food safety.

Industry's role in a healthier China.

The implications of increased international tax transparency on Hong Kong.

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### World in numbers

#### Demand, supply and development of the overseas study markets

According to EY’s Overseas Study Market Analysis Report, the major study destinations of students in mainland China are the US, UK, Australia and Canada. The main reason for Chinese students going abroad is to broaden their vision and experiences.

#### The powerhouses of growth

By 2030, 40% of the 50 largest cities in the world in terms of constant-prices GDP will be in China.

### Making step changes to digital is key to success

Our analysis suggests that industries segments in the colored bubble are leading innovation because they place greater emphasis on developing new products rather than on evolving with existing ones.

### Cybercrime

According to EY’s Global Information Security Survey 2014 (GISS), employees were seen as the most likely source of an attack. The survey shows that, while employees were perceived as a significant risk, the first time, we found that when the different types of external attackers were combined (criminal syndicates, state-sponsored attackers, hacktivists and lone wolf hackers) their threats were considered to be significantly more likely as a risk.
Understanding China’s education “industry”: Growth is everywhere, but choose specific opportunities wisely.

China's education industry is growing rapidly, driven by an increasing demand for educational services and a changing landscape of educational resources. With the rise of private education and the expansion of international schools, the industry has become a major player in the country’s economic development.

However, the competitive landscape is becoming more crowded, and stakeholders must navigate a complex regulatory environment. The government is increasingly regulating the sector, with a focus on quality control and ensuring that education services align with the national educational objectives.

Moreover, the demand for education services is not homogeneous, with different segments of the population having varying needs and preferences. Understanding these nuances is crucial for success in the education industry.

As China continues to emphasize education as a key driver of economic growth, stakeholders must be strategic in their approach to the market. This includes investing in high-quality education programs, leveraging technology to enhance learning experiences, and building strong relationships with stakeholders across the education ecosystem.

In conclusion, while the education industry in China is experiencing significant growth, it is essential for stakeholders to choose specific opportunities wisely, paying close attention to market trends, regulatory frameworks, and the needs of different segments of the population. By doing so, they can capitalize on the opportunities presented by this dynamic and rapidly evolving industry.
收入增长与忧虑并行
随着越来越多中国的家庭增加，它们的需求也在不断上升。同时，中国家庭也越来越多地选择与全球经济增长并行发展的教育投入。

对于教育需求的日益增长，无疑会使得教育投入不断上升。与此同时，教育投入的持续增长也使得人们对教育投入的关注度越来越高。

对于教育的投入，其实也是对居民收入的投入。随着居民收入的提高，教育投入也在不断增长。但是，居民收入的提高并不是教育投入的直接原因，而是间接原因。居民收入的提高使得家庭有足够的财力来满足教育需求，从而使教育投入不断增长。

教育投入的持续增长，使得教育产业的规模也在不断扩大。根据统计，过去几年中，教育产业的规模平均每年增长3.5%。

但是，教育投入的持续增长，也使得教育成本不断攀升。因此，对于教育投入的管理，需要在保障教育需求的同时，也要注重教育投入的合理性，避免教育投入的过度增长对居民收入造成压力。
北京和上海已经历了一轮发展并成为国内最大的国际学校市场，而广州和深圳也在经历这种趋势。省会城市以及发达的二线城市的国际学校的需求也在不断增长。有趣的是，在这些城市的父母明显意识到其孩子所学的现有课程（如中国式课程）与他们所希望的课程（如IB课程）存在巨大差距，因此他们逐渐愿意接受国际学校。

国际学校面向两类学生，第一类是国内的外籍人士子女，虽然仍有机会，但总体而言，这是个相对较小的细分市场。第二类是海外工作经历的中国家庭的子女。这可能已经回到国内，但是其父母仍然持有外国护照并且他们经历的国际化教育所带来的优势进行投资。

但是这个市场的真正吸引人的地方在于国际学校能够吸引海外收入但没有海外背景及经验的。这些家庭不但认识到了国际化教育的优越，而且也认识到此教育。这是更大的差异来源，但是要想占有这个市场需要获得相应的资质。

图表中，数据来源为2009-2018年期间。

**国际学校入学人数增长因素**

<table>
<thead>
<tr>
<th>年份</th>
<th>入学人数</th>
<th>增长因素</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>100</td>
<td>8%</td>
</tr>
<tr>
<td>2013</td>
<td>120</td>
<td>9%</td>
</tr>
<tr>
<td>2018</td>
<td>140</td>
<td>10%</td>
</tr>
</tbody>
</table>

同一时期，国际学校入学人数的复合年均增长率为8%。

备注：一线 Includes 了中国大陆主要城市，涵盖了全国绝大多数国际学校。

数据来源：国家统计局、教育部、上外国际教育研究院

**留学中介**

也许最有趣的市场机会是留学中介。即提供咨询建议以帮助学生选择，评估并由适合的国际学校。中介的教育目标。

中国的留学市场正处于不断发展的增长阶段，综合分析各种不同来源的数据可以发现中国留学的

学生人数自2010年的262,000人上升至了2013年的

1. 数据来源：国家统计局、教育部、上外国际教育研究院、
　　上海国际学校组织、Oxford Economics。
431,000人，并且预计在未来五年内仍将以每年15%的速度持续增长。2013年，国内相关的留学中介市场规模为人民币34亿元，并且预计在2018年之前仍将以每年15-20%的速度增长。

国人相信直接的国际经历不仅将给孩子提供良好的教育，而且将大大增加他们获得财富的机会。伴随着个人财富的不断增长，可以负担这类高端教育的家庭比以往任何时候都多。

在过去三年中，大约有50%的中国学生在海外学校申请过程中选择使用一个中介机构，尽管中国家庭的英语水平在增加，同时网上可以找到很多学校信息。但是留学中介的接受程度保持稳定，因为父母想要在选择最合适的学校时确保他们的孩子能够获得最好的教育。

但是，仍然会有一些成功因素需要考虑。首先，海外学校的筛选是留学中介的重要收入来源。拥有广泛而活跃的海外学校合作网络至关重要，不仅有利于其财务方面，而且也可以为申请者提供广泛的选择。本土化以及招生流程优化也非常重要。另外，任何业务开展都不能只看一个目的国。相反地，这类中介服务应当能够向学生提供非常广泛的备选国家，以便根据任何政治或其他因素的影响。

还有，下面这一点会使这个市场更具吸引力呢？相对于海外留学费用（包括住宿、伙食、学费和本费、交通费用等），中介费用无足轻重。因此，这个市场的消费者对价格的敏感度与其他细分市场低。

2011年各亚洲国家赴海外留学人员情况及与国内高等教育入学人数对比

总结：投资，但明智地进行选择和运营

所有的条件均有助于带动中国教育产业的快速增长及投资。总体而言，对现行教育体制的不满正在上升。这一情况带来了一些改革，比如之前提及的对高考进行的改革。同时，这些压力也促使政府允许更多的多样化教育机会。加上外部环境的吸引力，这些都吸引了更多的投资，让让我们拭目以待。

根据目前的情况，不同监管程度的不同，有些细分市场已经得到了良好发展，但有些因为监管原因还没有得到发展，包括早教、双轨制国际学校以及留学中介的三个细分市场吸引了投资者的兴趣。通过花更多的时间来分析每个细分市场的投资机会，建立战略并富有合作精神的当地合作伙伴并且建立有效的运营模式。
There is growing interest in mainland China’s education industry - and for good reason. Rising incomes throughout the nation mean a larger number of China’s citizens have more - much more - to spend on education. Meanwhile, the government is making changes to its education system including setting various educational objectives which it simply cannot achieve on its own. So the gap between what the people need, want and can afford and what the government can provide is increasing.

For private investors, this creates a range of opportunities in education. But be careful moving forward, as only a handful of segments are likely to lead to successful outcomes.

*Matt Fish is Partner and Sherry Lee is Senior Manager with Parthenon Shanghai. EY recently combined with global strategy advisors, the Parthenon Group, which is ranked among the top 10 management consultancies globally. This is an important step in EY’s Vision 2020 ambition to grow through strategic acquisitions. The Parthenon Group is a global strategy consultancy with 300 professionals in offices in Boston, London, Mumbai, San Francisco, Shanghai and Singapore. It has significant strategy capabilities across the Global 1000, private equity and education markets.
On the BEAM education and career opportunities.

For child’s personal competency in international further particularly in programs which are considered helpful in their child’s education inside or outside of school, 6 to 2 since 2010. Hence Chinese parents, especially the Global Top 200 university ranking actually dropped from to catch up with top global peers – China HEIs in Times consensus is that it would take long for Chinese HEIs remain highly competitive in the near future. Moreover , 1-2% aggregated growth) which means the Gaokao will program) is almost The seat supply in China’s top 39 universities (985 school (9-12) entry test or the Gaokao, the college entry examination? Add-China’s one child policy - families get one chance to get this right - and small wonder Chinese families are increasingly willing to invest in their individual student’s education.

If all of this isn’t enough to drive demand for private educational services, consider the reforms currently underway in China’s education system. Facing criticism that the current system places too much pressure on students and families, the government is making adjustments to both the Zhongkao and Gaokao. For example, recent changes to the Gaokao include offering the students two chances to take the English portion of the test, counting only the better of the two scores. The need to cram for the whole of the Gaokao is also being relaxed, as students will now be allowed to test for a given subject area when they are ready, as opposed to taking all of the tests at one time.

It remains to be seen what additional steps will be taken. The seat supply in China’s top 39 universities (985 program) is almost flat over the past few years (a minor 1-2% aggregated growth) which means the Gaokao will remain highly competitive in the near future. Moreover, consensus is that it would take long for Chinese HEIs to catch up with top global peers - China HEIs in Times Global Top 200 university ranking actually dropped from 6 to 2 since 2010. Hence Chinese parents, especially the wealthier group, would still be well motivated to invest in their child’s education inside or outside of school, particularly in programs which are considered helpful for child’s personal competency in international further education and career opportunities.

Rising income – and anxiety

As more Chinese acquire greater prosperity, their expectations rise. This is a nation where many more of its people are recognizing that they too can grasp the opportunities of a vibrant national and increasingly global economy.

Heightened expectations of what can be achieved through education lead to greater anxiety. What if their child doesn’t do well on either the Zhongkao, the national high school (9-12) entry test or the Gaokao, the college entry examination? Add-China’s one child policy - families get one chance to get this right - and small wonder Chinese families are increasingly willing to invest in their individual student’s education.

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But which sub-segments?

There is no question that overall demand is on the rise. This means China as a nation will need to expand provision of everything from tutoring to private colleges and even career counseling. Overall, the whole of education is likely to see growth and investment for the foreseeable future. But as always, In China, it is important to consider any investment strategy in light of likely moves by the government. Step one is to use national goals as a point of navigation - the government will show the way. Within this context, however, there will be certain areas that are more likely than others to attract government attention and regulation. For example, in the past, the government has introduced regulation to manage profit seeking behavior in the higher education sector.

What this means is that investors need to choose their opportunities carefully. Preference should be given to those sub-segments that represent high-demand, and also likely to remain relatively unregulated. From there, investors need to follow through with a strategy and an operating model that can make the most of each specific opportunity.

There are many points of entry into China’s education market. However, three areas warranting particular attention include:

- Early Years
- Kindergarten to Grade 12 (K-12) Dual Curriculum

One of the key challenges in this sector is the tendency to incur a high student turnover rate. But there are a number of strategies that can help to avert this weakness. For starters, operators should do what they can to make sure this pre-K care doesn’t look at all like daycare. The Chinese who want more for their children want greater educational opportunities. So make this a learning center.

In tandem, emphasize ELT opportunities. The more such a center can do to give Chinese students a head start in English, the more likely it is to attract a loyal following with less turnover.

Another important strategy is to try and grow the business one city at a time. Any brand name in this market will have to be developed locally, as word of mouth is the strongest marketing tool. By concentrating on one geographic location at a time, operators will be able to build a stronger, more compelling, and eventually more profitable presence.

Finally, it will be important to take steps to improve and standardize operations. Educators - teachers, principals and the like - may excel at education but have limited commercial experience. Investors can help by introducing greater standardization and discipline in everything from cost structure (see table) to billing and other operating processes. For a business that sells by word of mouth, the ability to achieve a consistently high quality experience is critical.

One of the most exciting opportunities is the market for pre-Kindergarten centers – the early years sector. Virtually all Chinese families are interested in giving their child a head start in learning. And with incomes on the rise, more and more families can actually afford to send their child to a learning center. Perhaps even more importantly, this is a relatively less-regulated sector where participation by private investors is encouraged.

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Beijing and Shanghai have already witnessed this growth and represent most sizable dual curriculum markets in China, while Guangzhou and Shenzhen are following the trend. The provincial capitals and developed tier 2 cities too are seeing a surge in demand for DC schools. Interestingly, parents in these latter cities perceive a wider gap between curriculum their children is currently being taught (standard China curriculum) and their desired curriculum (International curriculum such as IB, A-level, etc.), hence are increasingly willing to adopt DC schools.

Dual-curriculum schools are available to three distinct sets of students. The first group is the children of expatriates. While there are opportunities in this area, overall, this is a relatively tiny segment. The second group consists of mainland Chinese families where the parents have worked overseas. These families may have returned to China, but they still have foreign passports and their experiences lead them to place tremendous value in the benefits of an international education.

But the real sweet spot in this marketplace is when a center can be certified to accept children of parents with high incomes but no international ties or experience. These families not only recognize the value of an international education but also have the resources to finance such an education. This is the largest source of demand growth, but tapping this market will require obtaining the proper form of license. Attainment of such a license becomes the most critical determinant of success. Here an investor can gain traction by working with a local partner in a marketplace with high demand – and little chance of the traditional schools offering the China curriculum being able to meet such demand on its own in near term. There are successful examples of private DC program operator setting up DC schools on their own or partnering with private or public China curriculum schools and setup the international program arm.

A final consideration in this dual curriculum segment is that in most instances, approvals to build any new schools may be very hard to come by. Such resource constraints could become a boon or a blessing depending on individual markets. Amid motivated demand, limited supply can lead to higher fees and margins. But in most cases in this instance, this will serve to limit expansion and modernization.

Dual-curriculum school enrolment growth drivers 2009-2018F

<table>
<thead>
<tr>
<th>Growth drivers</th>
<th>2009</th>
<th>2013</th>
<th>2018F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>0</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Increase in abroad income</td>
<td>50</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>Affordability</td>
<td>50</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Dual-curriculum school enrolment in top city markets</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Enrolment CAGR of conventional mandarin curriculum schools during the same period time is -0.1%.

Oversea study: the counseling market

Perhaps the most interesting opportunity is the market for helping students attend university abroad. That is: provide counseling to help them identify, qualify for and attend the right schools in the right countries to further their educational objectives.

There is unquestionable growth in the numbers of Chinese commencing overseas study. Various sources1 in combination indicate the flow of self-sponsored Chinese students studying abroad increased from 262,000 in 2010 to 431,000 in 2013. Moreover, these numbers are expected to grow by nearly 15% per year for the next five years. The associated China counseling market was estimated at RMB 3.4B in 2013 but with projected annual growth of 19% through 2018.

Chinese citizens are recognizing that an immersive international experience not only provides for a better education, it can also vastly improve employment and earnings opportunities for their child. Coupled with the fact that the increases in individual wealth, more households than ever before can now afford this luxury. About 50% of the Chinese students commencing study abroad in the past 3 years choose to use an agent along the overseas school application process.

Overseas study: the counseling market

Overseas study: the counseling market

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Overseas study: the counseling market
Outbound mobile student vs. in-country tertiary education enrolment in selected Asian countries, 2011

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Urbanization Rate</th>
<th>Disposable income per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>100%</td>
<td>$24.7K</td>
</tr>
<tr>
<td>Malaysia</td>
<td>75%</td>
<td>$6.2K</td>
</tr>
<tr>
<td>Korea</td>
<td>83%</td>
<td>$12.9K</td>
</tr>
<tr>
<td>China</td>
<td>48%</td>
<td>$3.8K</td>
</tr>
<tr>
<td>India</td>
<td>31%</td>
<td>$1.2K</td>
</tr>
</tbody>
</table>


Conclusion: invest, but choose and operate wisely

All conditions are right for significant growth and investment in China’s education sectors. Overall there is a rising sense of dissatisfaction with the education system. While this is leading to reforms such as those mentioned in the Gaokao, there is also a good chance that such pressures will lead to the government allowing greater diversification among available educational opportunities. Over time, these could lead to even more private investment, but this remains to be seen.

As for current conditions, certain sectors are already well-served while others are likely to offer less in the way of regulation-free opportunities. Three notable sectors that appear interesting for investors include early years, English Language Training, K-12, tutoring, study abroad, vocational/professional training, education technology and other education sectors in the Greater China Area.

Sherry Lee
Principal

Sherry has completed over 20 education engagements covering early years, English Language Training, K-12, tutoring, study abroad, vocational/professional training, education technology and other education sectors in the Greater China Area.

Sherry has advised a number of large private equity firms, Chinese state-owned enterprises and multinational corporations in China market entry and strategy development.

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Ben Kwan has over 20 years of management consulting and corporate management experience. He specializes in providing market entry, strategy, portfolio optimization and M&A advisory to global private equity firms, multinational corporations and large Chinese enterprises. He has led and completed over 100 M&A transactions in China and Asia.

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Mr. Fish has spent the last twelve years consulting and researching in Asia Pacific with a focus on China. As the Managing Director of Parthenon Shanghai, he has led over 350 China entry and expansion engagements and is one of Asia’s leading authorities. Previously, Mr. Fish was Director of Symbio Business Consulting’s Shanghai practice, an office he started and grew into one of the region’s leading growth strategy firms.

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中国反垄断执法
最新动向以及应对策略

Latest developments of China’s Anti-monopoly Law and coping strategies

《中华人民共和国反垄断法》（“《反垄断法》”）于2008年8月1日起正式实施。最近两年，中国反垄断执法当局持续发力，最近数月更是掀起了新一轮反垄断执法活动的高潮——仅国家发改委先后宣布办理五起案件，涉案企业被处罚金额合计高达人民币16.7亿元，中国反垄断执法问题再次成为全国乃至全世界热议的话题。
企业为何被罚

这些企业被处罚还在于其所实施的某些经营行为违反了《反垄断法》，构成《反垄断法》所规定的垄断行为。具体包括：

- 横向垄断协议：又称卡特尔，系指具有竞争关系的经营者之间达成的，旨在排挤竞争对手的协议，或者限制竞争的协议。主要包括：固定或者变更商品价格；限制商品的生产数量或者销售数量；分割销售市场或者原材料采购市场；限制购买新技术、新设备或者限制开发新技术和新产品；联合抵制交易等。
- 横向垄断协议：系指经营者与交易相对人之间达成的，旨在排除、限制竞争的协议，具体形式包括：固定转售价格；限制转售价格行为等。
- 适用市场支配地位：系指在相关市场内具有支配地位的经营者，对市场的其他主体进行不公平的交易或限制竞争对手的行为。具体形式包括：滥用知识产权、垄断高价或垄断低价，独占性倾向，拒绝交易，指定交易，销售、歧视性待遇等。

由于行政垄断行为规范的对象通常是指行政机关或者企业，而经营者集中的审查属于行政部门的管辖，因此对于这两类垄断行为本文不予评述。

违反《反垄断法》的法律责任

- 行政责任：经营者违反《反垄断法》，达成并实施垄断协议的，或者滥用市场支配地位的，反垄断执行机构将责令停止违法行为，没收违法所得，并处上一年度销售额1%以上10%以下的罚款。经营者主动向上述违法行为的，可以处上一年度销售额1%以上10%以下的罚款。
- 刑事责任：《反垄断法》未规定有关垄断行为作为刑事犯罪，这与美国、欧盟不同。但需注意两点：第一，如果相关违法行为构成犯罪的，会被依法追究刑事责任。第二，相关违法行为（例如串通投标行为）为了违反《反垄断法》外，还可能违反其他法律，需考虑在其他法律领域是否存在刑事责任的规范。

反垄断执行法律体系

中国现行反垄断执行法律体系构成如下：

- 国务院反垄断委员会：是国家垄断执行机构，负责组织、协调、指导反垄断执行部门的反垄断工作。
- 国家反垄断局：负责经营者集中审查和相关违法行为查处。
- 国家工商总局反垄断与不正当竞争执法局：负责查处价格垄断行为。
- 国家发改委价格监督检查与反垄断局：负责查处价格垄断行为。

如何应对反垄断调查

结合各国法律的规定以及我们企业经历，企业在应对反垄断调查时可考虑以下几点：

- 宽容处罚：有关实施垄断协议的企业，由反垄断执法机构提交有关调查报告，反垄断执行机构可以的信用偿还或者免予处罚。
- 例：日本企业被处罚后，国家发改委对第一家企业提出警告并处10%以下的罚款。反垄断执行机构可以的信用偿还或者免予处罚。
- 刑事责任：反垄断调查期间，被调查企业不能在一定期限内采取具体措施消除反垄断行为的后果。
- 承担法律责任：反垄断执行机构对当事人进行审查，确认企业已完全履行其承担消除垄断行为的不利后果，可正式终止调查。
- 法律：2015年5月国家发改委根据《禁止垄断条例》的决定中止其进行的反垄断审查。
- 降价处罚：经营者尚未实施或达成的垄断协议，处以50万元以下的罚款。如果涉及，可以并处反垄断行为尚未实施，或者尽管所涉产品种类较多等减轻其可能遭受的处罚。
- 事前救济：若违法机关外合理期限内存在的，处以50万元以下的罚款。此事，可以并处反垄断行为自实施之日起直至实施机关或者反垄断执行机构。
- 垄断会：若违法机关对违法行为进行宣判，可以并处反垄断行为自实施之日起直至实施机关。

总结

随着中国《反垄断法》的实施的不断深入，反垄断执法与调查已成为一种常态化趋势。在中国经营的企业对此应有充分的重视和了解。建立健全有效的垄断执行体系不仅有助于企业降低或消除垄断调查可能产生的经济或声誉损失，亦可帮助企业在未来发展战略的制定中拥有更加全面的思维和视角。
Mainland China’s Anti-monopoly Law came into effect on 1 August 2008. Over the last two years, Chinese authorities have remained consistent with their aggressive enforcement efforts. A new round of anti-monopoly measures has peaked in the last few months. For example, during this period the National Development and Reform Commission (NDRC) has opened and concluded five cases accounting for approximately 1.67 billion RMB in fines on accused enterprises. Accordingly, China’s anti-monopoly law enforcement has become a hot topic of discussion.

Why enterprises have been penalized
Enterprises have been penalized over charges that they had violated the Anti-monopoly Law. Specifically, they have engaged in:
- Horizontal monopolistic agreement: Also called a cartel, it is an agreement, decision or other concerted behaviors reached between business operators to eliminate or restrict competition. Such cartels are involved in such practices that may include fixing goods prices or changing such prices, restricting product outputs or sales volumes, segmenting sale markets or raw material procurement markets, restricting the buying or development of new technologies or equipment, new products, and concerted actions to boycott trade. Case: Twelve Japanese auto parts makers were penalized by the NDRC for reaching and fulfilling a horizontal monopolistic agreement to fix or restrict prices.
- Vertical monopolistic agreement: This refers to agreements, decisions or other concerted behaviors reached between business operators and their trading parties to eliminate or restrict competition - such as fixing resale prices agreement, setting a minimum resale price agreement, and so on. Case: the master distributor of a car brand was penalized for reaching and fulfilling a vertical monopolistic agreement with its distributors on fixing whole-car sale prices and after-sales service prices.
- Abuses of market dominance: Refers to business operators who hold a dominant position in relevant markets and conduct unfair trading with other entities in the markets or exclusive acts against their competitors - such as abuses of intellectual property rights, monopolistic overpricing or underpricing, predatory dumping, refusal to deal, specified dealing, tied-in sales, and discriminatory treatment. Case: A regional tobacco company was penalized by the NDRC for carrying out tied-in sales (tying unsalable goods with salable goods in sales).

Apart from the monopolistic activities mentioned above, monopolistic activities that are prohibited by the Anti-monopoly Law also include the concentration of business operators that may have the effect of eliminating or restricting competition and administrative monopoly.

As government organizations, not corporate entities, are usually the target of regulations on an administrative monopoly, and as investigations on operator concentration usually are an administrative licensing matter, these types of monopoly will not be discussed in the article.

Breaching of Anti-monopoly Law: legal responsibilities
- Administrative responsibility: Where the business operators reach and fulfill a monopoly agreement in violation of the Anti-monopoly Law, the Anti-monopoly Law Enforcement Agency shall order them to stop the violations, confiscate the illegal gains and impose a fine of 1% up to 10% of the sales revenue made in the previous year.
- Criminal liabilities: Unlike the United States and EU, the Anti-monopoly Law does not impose criminal liabilities for monopolistic activities. However, two aspects need our attention: First, those who refuse or obstruct anti-monopoly investigations, where a crime is constituted, the business operators may face the criminal liabilities. Second, certain monopolistic behaviors (such as collusive tendering) breach the Anti-monopoly Law and other laws as well; consideration must be given, therefore to the possibility of criminal liabilities under other laws.

Administrative system enforcing anti-monopoly laws
China’s existing administrative system tasked with enforcing anti-monopoly laws comprises:
- State Council Anti-monopoly Commission: Coordinates and directs the anti-monopoly work of law enforcement departments against monopolies; it does not have administrative or law-enforcement powers.
- Anti-monopoly Bureau of the Ministry of Commerce: Tasked with reviewing and approving filings on business operator concentrations and the investigation and actions on such violations.
- Bureau Enforcing Laws Against Monopoly and Illegitimate Competition of the State Administration of Industry and Commerce (SAIC): Responsible for investigating and dealing with non-pricing monopolistic behaviors.
- Bureau of Price Monitoring and Inspection and Anti-monopoly of the NDRC: Tasked to investigate and deal with price monopoly.

The SAIC and NDRC can authorize industrial and commercial departments and price departments at the provincial level to investigate and deal with monopoly cases under their jurisdictions.

How to deal with anti-monopoly investigations
Based on the provisions of relevant laws and our experience, enterprises can consider the following points:
- Leniency policy: Where a business operator who is engaged in a monopoly agreement voluntarily confesses the information about the monopoly agreement and provides the important evidence to the Anti-monopoly Law Enforcement Agency, the business operator may be given a mitigated punishment or be exempt from punishment at the discretion of the Anti-monopoly Law Enforcement Agency. For example, in a case where penalties were handed out against some Japanese enterprises, the first enterprise who voluntarily reported to the NDRC on situations surrounding the reaching of such monopolistic agreements and provided evidence has been awarded immunity from penalties. The second enterprise who did the same was fined by the NDRC 4% of its previous year’s sales amount. Other enterprises were fined 6% to 8% of their previous year’s sales amount.
• Commitment regime: As for a suspicious monopolistic conduct that the Anti-monopoly Law Enforcement Agency is investigating, if the business operators under investigation promise to eliminate the effects of the conduct through the use of concrete measures within the time limit accepted by the Anti-monopoly Law Enforcement Agency, the agency may decide to suspend the investigation.

Case: In May 2014, the NDRC terminated an anti-monopolistic investigation on a telecom company based on its commitment.

• Penalty reduction: Where a reached monopoly agreement has not been fulfilled, a fine of less than 500,000 yuan may be imposed. In addition, an enterprise can mitigate possible penalty against it by pleading that the monopolistic practice has not yet been fulfilled or by limiting as much as possible the kind of products involved or the scope they cover.

• Post-event remedy: If the administrative penalty of the law-enforcement authorities is flawed in procedure (for example failing to hold hearings) or substantively, the enterprise can file for an administrative reconsideration or administrative litigation demanding an administrative authority or the court to revoke or modify the administrative decision.

• Competition compliance system: A competition compliance program is preventative in nature; it is also a corrective and rectifying measure for an enterprise after it has been subject to an antimonopoly investigation. The system includes installing a compliance system, training staff in compliance matters, and staging mock dawn raids.

Conclusion with the deepening of China’s Anti-monopoly Law, anti-monopoly law enforcement and investigations have become routine. Enterprises opening a business in China should be prepared for those investigations. Building a sound and effective competition compliance program can help the enterprise reduce or remove economic or reputational losses due to an anti-monopoly investigation; as well as aiding the enterprise to acquire a more comprehensive perspective to formulate its future growth strategy.

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Conclusion
With the deepening of China’s Anti-monopoly Law, anti-monopoly law enforcement and investigations have become routine. Enterprises opening a business in China should be prepared for those investigations. Building a sound and effective competition compliance program can help the enterprise reduce or remove economic or reputational losses due to an anti-monopoly investigation; as well as aiding the enterprise to acquire a more comprehensive perspective to formulate its future growth strategy.

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Industry Focus 行业焦点

Analysis of the operations management model of the world’s top oil companies and insights for Chinese companies
随着中国成为世界上最大的能源生产国与消费国，中国能源企业的业务量和行业影响力日益增强。持续提升的业务规模和业务复杂度，以及不断加快的国际化步伐对中国能源企业的管理能力提出了更高的要求。管理部门系统地思考如何将具有深厚历史沉淀的国内领先企业，发展成为全球布局的现代化能源生产集团。在这样的背景下，以世界一流的石油公司作为标杆，了解和分析其运营管理模式，能够为我们带来有益的借鉴和启示。

纵观近10年来全球石油产业的发展，石油企业呈现出两大趋势。

1. 业务领域的协同一体化，几乎所有大型石油公司都构建了上下下游一体化的产业格局，并结合自身优势，战略性地发展油气和新能源等新兴业务机会。

2. 国家石油公司（NIOC）的国际化进程，这与石油公司（IOC）的合作，通过其在资本、技术和人才方面的优势，双方的合作模式由“产品分成”转变为“技术服务”为主，使传统上有明显区别的国家石油公司、国际石油公司和国际综合技术服务公司更紧密地融合在一起。

在此影响下，世界一流的石油公司的运营管理模式走向趋同，并展现出行业普遍性的共性特征。

尽管国有印度自主研发和发展的脚步并不滞后。在全球范围内扩大资源和业务布局的石油公司，逐步形成了与之相融合的集约化运营管理模式。集团作为主要的海外合作伙伴，并在世界主要产油国和地区，通过海外合作伙伴的非生产性协作，形成集约化的、最优化的、满足内部的相关协作，共同参与每国的生产和管理。

在管理和组织上，一般可以分为两大类。一类是集成业务板块和业务单元；另一类是集成管理的三层集中。集文化主要承担战略规划、资源分配、盈利等的职责，业务板块则承担上下游业务的开发和业务技术领域的开发，承担流程和信息化的双重管理。集团是企业间协调和相互性整合的主体，对各级企业运行着有明确的定位和规划，并形成相应的标准化流程，集中管理并共享服务实现有效的管控，从而达到集团整体管理的最优。

世界一流的石油公司，集约的运营管理模式进一步强化在组织、流程、系统这三大管理体系的“有形”方面，使之形成完善、协调统一的管理体系。企业文化、价值观、领导力、员工技能等企业“软实力”共同构建起成熟、可复制的管理体系。

矩阵式的组织架构

近年来，国际大型石油公司的组织架构逐渐扁平化和专业化。一方面，将油气业务按照地域或专业分工，分解为多个业务板块，缩短总部制定决策的流程，提高总部对当地作业活动的管理可落地性；另一方面，将工程技术服务平台上升为一个独立的业务模块，以市场化的方向向国内企业提供服务，参与竞争并获取盈利。传统上的石油公司的组织结构及与合作伙伴的分成模式采用（如：私有股）领域有所不同，其优势在于由差异的组织实体对某区块产出（如：区块或项目）进行自给自足或去中心化的统一项目管理与生产作业，更加贴近实际和因地制宜。但是这也造成组织管理链条过长，以及管理分散，业务能力和资源难以实现共享。企业标准与合作伙伴不易复制推广。相反，技术服务和项目管理同样作为服务水平的提升，与自身产业的影响规模化提升。因此，在合作伙伴的退出时，能够有效管理和控制。

矩阵式的组织架构，如某公司（如：IOIC）的上游业务公司和技术服务平台管理，由区域公司进行区域战略布局，项目建设、油气生产、油气服务管理等所有活动，工程技术服务平台负责资源分配、监测和调整，根据大型项目的建设（如：预算管理、技术和设计等），结合经济效益专业能力和跨界服务的传播。具体到业务范围的各环节，区域公司中的区域经理负责的区域资源和工程技术服务平台脉络化。在具体区域项目管理中，将形成技术服务平台的评估标准和流程，通过技术和工艺监控优先权按项目分配。在开发阶段，区域公司组成项目团队具体实施项目；工程技术服务平台派遣大型项目的管理人员，并提供所需知识和技术支持，项目团队在进入阶段后，由区域公司进行管理。

这种矩阵式组织架构带来的另一大好处是实现了技术与知识资源的共享，加快了投资回收。由于IOC越来越依赖其技术优势来吸引和鼓励合作伙伴的加入，将工程与技术服务集中
起，以建立的业务板块来作为管理单位，为OC的局部项目提供有效技术支持，为合同公司（如“服务水平协议”或“技术授权协议”）来有效支持项目中具体目标的实施，以及项目内具体目标的实施。例如，某公司将部分石油公司建立了新的技术准则的实施流程图，包括业务流程、企业流程等与之配套的工具按照模式下，现有的有利企业业务的扩展和管理，但也有助于规避风险和减少决策失误。

### 系统、标准化的业务流程

- **一体化**的石油公司将其部门职责分工、工作标准、关键管控点、技术经验等通过流程及各配套的工具模块系统化下来，在有利于企业管理能力的复制和扩展，也有助于规避风险和减少决策失误。

### 统一、标准化的业务流程

- **一体化**的石油公司将其部门职责分工、工作标准、关键管控点、技术经验等通过流程及各配套的工具模块系统化下来，在有利于企业管理能力的复制和扩展，也有助于规避风险和减少决策失误。例如，某公司将部分石油公司建立了新的技术准则的实施流程图，包括业务流程、企业流程等与之配套的工具按照模式下，现有的有利企业业务的扩展和管理，但也有助于规避风险和减少决策失误。

**对中国能源企业的启示**

- **对华业务进行重组与整合，中国能源企业的重组结构**基本是按照欧洲市场来构建的，企业多项功能小而全，企业运营方式单一，以适应现代化生产的需求为挑战，每个企业实际要深入到更多的行业和领域。企业运营方式的挑战更多是对于中国企业的全面管理和实施的挑战。企业重组过程本身如同对企业的评级和整合，在这个过程中，会不可避免的引发管理责任与目标的重新分配。将管理变革和管理整合提上日程，以重组和重组的需要，才能建立起新型的管理结构。

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### 以绩效管理为中心的计划与控制闭环系统

- **国际化石油公司普遍结合自身管理特点构建一套管理的计划与控制闭环。**其主要包括：业务计划、财务预算、与分析预测等管理活动贯穿其中，这些管理活动各自具体目标与内容。战略规划明确企业的长期发展方向与目标，业务计划将长期战略具体化为年度的具体目标的实现，财务预算在将业务计划和战略规划具体化为财务影响的同时，等等业务单元、分析预测等通过分业务组织、分析实际与计划之间的差异原因，对将来2-18个月的业绩表现进行预测并及时展开整改行动。各项管理活动的建立有效的具体化是管理系统的推行有效的基石，但是各项管理活动之间相互关联才能形成重点的核心和精髓。首先通过一系列价值链活动（反映为数字化模型的可操作的关键绩效指标）将经营管理转为具有逻辑结构的计划表。并用共同的计划制度来链接规划、预算、与预测；其次建立企业的“管理日历”，各项活动按照计划的先后顺序与相互关联关系到日常工作中，有固定的起始时间，“凡几上下”的联系分解并整合。直到明确的路线图与决策机制；最后与各组织层级及员工个人绩效进行形成显性关联，以计划为承诺，以计划促执行，以成就促激励。将管理者的个人绩效与个人利益、与企业经营结果紧密挂钩、建立个人与企业之间的“业绩合同”。

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As China grows into the world’s largest energy producer and consumer, the business mass of its energy companies and their clout in the industry are increasingly stronger. The business scale is continuously expanding, so is its complexity, not to mention the increasing pace of internationalization. All this poses a tougher challenge to the management abilities of China’s energy companies, prompting the management to think systematically for ways to develop the companies, each domestically advanced and steeped in its own corporate history, into modernized energy groups with an international presence. Under this background, a study and analysis of the operations management model of world’s top oil companies, using them as a standard bearer, may give us some good references and insights.

A review of the development of global oil industry in the last ten years gives us two broad trends.

1. The vertical integration of different business areas: almost all large oil companies have built an integrated industrial structure upstream, midstream, and downstream, each leveraging on its own advantages to develop strategically emerging business opportunities in natural gas and new energies.

2. The quickening pace of national oil companies (NOCs) in internationalization, at the same time focusing more on partnering with international oil companies (IOCs), leveraging on the latter’s strength in capital, know-how, and human talents. Collaboration between the two has evolved from “product share” into one that is “technology- and service-based,” making the three traditionally well-defined areas of NOCs, IOCs, and international technology and service companies more closely integrated.

As a result, the operations management models of world’s top oil companies are converging and showing common, industry-wide applicability.

Despite differences in their corporate history and paths of growth, oil companies are now at one in optimizing their resources and business patterns on a global basis, and have steadily established a globally integrated operations management-intensive model. As a stand-alone organism, the corporation aims at maximizing value creation from a global perspective through an open, modular, internally and externally synergized, flexible yet intensive organizational structure. There are strong business synergies and mutual checks and balance among the group companies. The group assigns each operating unit a clearly defined position and plan, exerts effective control and management through unified, standardized processes, centralized operations, and shared services, and thereby optimizes its overall operations.

Generally speaking, the control and management framework is divided into three hierarchies: group head office, business segments, and operating units. The head office makes strategic decisions, allocates resources, and monitors performances. Business segments are usually organized around upstream and downstream and corresponding engineering and technical service units and facilities, which are more concerned with production and daily operations. Depending on different business conditions, the reach of control from the group head office varies. For example, for significant growth opportunities such as M&As, joint ventures or partnerships, or high-risk, long-cycle projects that are irreversible and require large front-end investment, such as upstream prospecting, management and control are usually fairly concentrated and exercised by a dedicated department at the group head office or segment headquarters. They require strict review and approval from senior group management committees or even the board. But the management of production and operations tends to be dispersed and localized as they can adapt better to local regulatory and compliance requirements, increasing flexibility to react promptly to market changes.

The integrated and operations management-intensive model of world’s top oil companies can be seen further in the three “visible” corporate management areas of organization, processes, and performances, which result in an overall sound and mutually adapted management system. That, combined with corporate “soft power” such as corporate culture, value, leadership, staff technical capabilities, provides mature and replicable management capabilities.
Matrix organizational structure

In recent years, the organizational structure of large international oil companies has tended toward de-layering and specialization. On one hand, they divided upstream businesses according to geographies or divisions of specialized fields, breaking them into a number of business segments to shorten the management chains from the group head office to the operating geographies and operating segments, thus increasing operational transparency for head office’s management. On the other hand, they upgrad ed engineering and technical services into independent business segments, which are involved in running the operations and provide services to companies both inside and outside the group on a commercial basis, that is for a profit. Traditionally, oil companies plan and distribute their organizational layers and operating entities based on energy (gas and oil fields) locations. Such distribution carries the advantage of unified operations management and production for a single operating entity of a certain oil field (in a region or project) throughout its life cycle. The operations management are closer to the ground and can tailor policies to local conditions. But they also result in overextended management chain for the head office and weaker risk controllability; it is also harder to share expertise and resources and for corporate standards and best practices to be replicated or promoted. The relatively concentrated specialized management functions of the head office and engineering and technical services segments cross-interact with oil field-based operating entities, forming a management matrix, where management powers are shared, and specialized functional lines can increase their control and support to frontline operations. For example, a certain IOC (large, international and integrated oil company) has developed its upstream business regional companies and engineering and technical service segments into a management matrix, where the former centralize and coordinate all prospecting, project development, oil and gas production, oilfield management, and any other activities in the region, and the latter take care of resource allocation, prospecting identification, monitoring of large-scale project development (progress and budgeting), and technological support, besides developing specialized talents and making cross-project dissemination. In terms of specific links in upstream businesses, regional prospecting heads within the regional companies make dual-line reports to regional presidents and engineering and technical service segments as well, providing regional prospecting opportunities and carrying out prospecting projects approved by the head office. Engineering and technical service segments prioritize worldwide prospecting opportunities for resource allocation purposes based on unified evaluation standards and processes. In the development stage, regional companies assemble project teams for actual implementation, while engineering and technical service segments assign project managers to large-scale projects and provide required know-how and technical support. When the project goes into operation, it will be turned over to regional companies for management.

Another significant advantage of such matrix organizations is commoditizing technologies and knowledge assets, thus speeding up recovery of investment. As IOCs increasingly rely on their technological prowess to win collaboration opportunities from sovereign countries, concentrating engineering and technical services into independent business segments, which operate on their own, allow these segments to provide paid technical services for projects invested by IOCs. In this way, through commercial contracting (such as “service-level agreement” or “technical license agreement”), these segments convert their technological resources into cash returns, earning returns on investment and income even before the project itself becomes profitable.

Unified and standardized business processes

World’s top oil companies have consolidated their divisions of duties, work standards, key control points, know-how, and experiences through processes and supporting tool templates, making it possible for specialized management abilities to be replicated and disseminated, avoiding risks, and reducing errors in decision making. For example, a certain Scandinavian oil company has built a group-wide process framework, including the control and management process, value chain process (business process), and supporting function process. Each is overseen by the group’s process responsibility department, which is tasked to formulate and persistently improve these global unified work processes (including supporting tools and IT requirements), optimize processes and raise efficiency through benchmarking, monitor the execution of the processes globally in compliance with local regulatory requirements, assess risks, and assist regional (or project) companies in enhancing their abilities for better process execution. Correspondingly, regional (or project) companies are responsible for carrying out the implementation process and related IT systems and tools, recommending improvements for processes, and ensuring that staff get sufficient training and have the relevant abilities to execute the processes. Regional (or project) companies will appoint a process manager representing the local company, whose job is to act as a local counterpart to the group’s process responsibility department, put forward individual requirements, support the localization of processes, sum up experiences, collect opinions and feedbacks, and promote knowledge sharing and transfers.

Meanwhile, service co-sharing and expert support centers are another important measure for ensuring standardized management and intensive operations. Co-shared finances, HR, procurement, and IT services concentrate the dispersed and independent localized operations in the co-sharing service centers, lowering cost and raising corporate operating efficiency on one hand, and facilitating effective control and management of the head office on the other. In particular, international oil companies have been introducing the expert support center facility into service co-sharing, evolving it from an efficiency-driven mode into knowledge-driven one, which provides strong decision making support for frontline operations and drives sustained enhancement in management.

Closed-loop planning and control system that centers on performance management

International oil companies generally build a closed-loop planning and control system in light of their own management characteristics, linking it with strategic planning, business planning, financial budgeting, and analysis and forecasting, each of which has its own objectives and content. Strategic planning sets out the company’s long-term development and objectives. Business planning breaks down the long-term plan into specific objectives of the year and various measures to achieve them. Financial budgeting calculates the financial impacts of business initiatives, forecast results and allocates resources. Analysis and forecasting conduct regular business reviews, analyze gaps between outcome and plans, the reasons why, forecast performances in the next 12 to 18 months, and make timely adjustments if necessary. The independent and effective operations of all these various management components are the corner stone for the efficient running of the whole system; but the most important and critical part is the inter-relationships among them. First, through a series of value-driven factors (expressed as quantifiable and measurable key performance indicators), operating results are transformed into logically related process variables, which are connected by common values driven factors with planning, programs, budgeting, and forecasting. Second, a corporate “management calendar” is established, whereby activities are solidified into daily work according to their priorities, sequences, and inter-relationships, with fixed
International oil companies generally build a closed-loop planning and control system in light of their own strategic planning characteristics, linking it with strategic planning, business planning, financial budgeting, and analysis and forecasting, each of which has its own objectives and content. The functions these enterprises have are comprehensive but small in scale. Each enterprise operates its own system, making it a challenge for them to adapt to the demand of modernized large-scale production. If each of the operating entities seeks further development, there may be repetitive construction, with internal disorder and disunity toward external competitors. Therefore, in considering the reorganization and integration of companies’ resources, it is necessary to look at them as a whole group. During this process, unavoidably there will be new distribution of management responsibilities and powers. The reform of management is a tough mission and has a long road to travel.

- Focus on top-level design. Contrary to previous efforts at enhancing corporate management, which mostly revolved around various specific management functions, the effects of management in future, when the foundation for management has been made solid, will be derived more from the mutual coordination and adaptations of different management systems, so that the company really becomes an organic whole distinguished by its competitive advantages and management abilities. To achieve this, it is necessary for the group as a whole to start from top-level design, develop and optimize various functions from a systematic perspective, and link up various isolated management areas which are used to “fight their own individual battles.”

- Attach importance to information development. Timely and accurate information and data are the foundation for operational decision making. The integrated and intensive operating management of the world’s top oil companies is based on management visibility. Management visibility is reflected in the quantifiable and measurable data that indicate operating results and aid management decisions; moreover it also means ending black box management and eliminating information asymmetry between the head office and frontline operating units and the tug-of-war relationships between the two sides. Therefore, information development is the major means to enhance management visibility; it will also be a powerful weapon for Chinese energy companies in enhancing management abilities in the future.

Authors 作者介绍

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Gordon Liu has more than 15 years of experiences in both corporate management and consulting services, with a focus on strategic planning, business transformation, and organizational change. He has advised a wide range of clients across SCE, POE, and MNC.

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Sandy has over 14 years of Energy & Resources advisory experience in providing business transformations, financial improvements and performance management services to clients.
Chinese enterprises have made significant strides in expanding globally, particularly in sectors such as technology, manufacturing, and consumer goods. The Chinese government has played a pivotal role in facilitating these endeavors through various initiatives and policies.

**Excerpts from the article:**

The Chinese government has been supportive of enterprises going global, providing various incentives and support measures. This includes the establishment of special zones and the promotion of investment and cooperation from China to countries around the world.

China has been proactive in promoting its enterprises abroad, understanding the importance of internationalization for its economic development. The government has also been collaborative in creating a conducive environment for enterprises to navigate global markets.

**Insights Market View**

**Challenges and opportunities for Chinese companies to navigate global markets**

- **Market access and competition:** Chinese companies face strong competition in the overseas market, requiring them to adapt and innovate to stay competitive.
- **Regulatory challenges:** Understanding and complying with different regulations in various countries presents a significant challenge.
- **Cultural differences:** Navigating cultural differences is crucial for success in international markets.
- **Financial risks:** International investments involve higher risks, necessitating robust financial planning and risk management.

Despite these challenges, Chinese enterprises have shown remarkable resilience and adaptability. Their market penetration strategies, combined with strategic partnerships and investments in global markets, have enabled them to carve out a niche and achieve significant growth.

**Insights:**

The Chinese government has been supportive in fostering a conducive environment for enterprises to navigate global markets. Their strategic approach includes leveraging the Belt and Road Initiative, promoting investment and cooperation with other countries, and offering various support measures to enterprises.

**Conclusion:**

The path to internationalization is not without challenges, but Chinese enterprises are well-positioned to overcome them. With a clear vision and strategic planning, they can continue to expand their global footprint, contributing to the economic growth of both China and the countries they operate in.

*For further details and insights, refer to [Insights Market View](https://www.insightsmarketview.com/).*
中国企业日后投资的主要产业包括国家及或地区方面。他认为基础设施及重要领域如制造的海外投资在短期内会有高增长，如拥有充足的高端技术。

他也指出：“此外，丝绸之路经济带或海上丝绸之路的国家战略也有可能会在海外项目有更高的机会，获得更多中国投资。”

据“引进来”和“走出去”，创造一个双赢局面

吉利控股集团（“吉利”）董事长郭明辉认为“引进来”和“走出去”可以结合起来，创造一个双赢局面。吉利2011年收购沃尔沃，是第一家中外合资企业。

吉利认为吉利与沃尔沃的整合展示吉利在品牌技术及高端品牌，加强全球企业地位的走出去的高略布局。他说：“我们必须要走出去，获取品牌和市场。如果没有技术支撑，中国整个汽车行业都要面临重大挑战。”他认为中国市场需求以及对外利益关键因素（如经济、工程商、供应商、政府和工会）带来利益。

吉利汽车销售有限公司董事长毛继东说：“2011年5月，乔龙先生来华并考察，双方关于沃尔沃的并购事宜，是沃尔沃未来发展的重要战略。”

吉利汽车董事长郭明辉认为，吉利和沃尔沃的整合展示了与沃尔沃的合作是吉利向全球市场进军的重要一步。
Today, China is the world’s second largest economy and the largest foreign trader. During the Third Plenary Session of the 18th CPC Central Committee, China pledged to integrate better the policies of “bring-in” and “going abroad” and accelerate development of new advantages to engage in and lead international competition and cooperation. “Going abroad” has become more imperative for Chinese enterprises to seek growth and development.

While there are numerous opportunities associated with overseas investment, these are often challenges as well. Valuable opinions shared by several honorable guests at the panel, “Navigating the Global Markets: Opportunities and Challenges”, one amongst fifteen panels held during the EY Strategic Growth Forum™ in Shanghai, China, have provided insights into suggested solutions to the challenges faced and strategic rationales for overseas investments to capture opportunities and maximize values and benefits. EY hosted over 1,000 guests in Shanghai from 22-23 May 2014, which was the first-ever of its kind event held in the country.

Chinese companies have moved beyond borders to cultivate markets overseas, pursuing growth through exports, partnerships, acquisitions or by developing a stronger local presence. In the past decade, especially since the global financial crisis in 2008, foreign direct investment from China has experienced annual increases of around 40%. In 2013, according to the information of Ministry of Commerce of the Chinese Government, Chinese companies made foreign direct investments in 5,090 enterprises in 156 countries and regions, with a total value of US$90.17 billion and a year-to-year increase of 16.8%.

Chinese Government’s supporting policy on “go abroad”

Increasing support from the Chinese government has driven the expansion of domestic enterprises’ overseas investments. Mr. He Zhenwei, Deputy Secretary General of the China Overseas Development Association (CODA) and Senior Economist quoted the word “loosen” at the panel, which was mentioned by Chinese Deputy Prime Minister Wang Yang during his speech on the 5th China Overseas Investment Fair in December 2013, to explain the government’s attitude on the “go abroad” policy.

The National Development and Reform Commission (NDRC) recently released the Circular on Issues concerning the Implementation of Administrative Measures for the Approval and Record-filing of Overseas Investment Projects (the Circular). The Circular promotes the transformation of the approval system to the record-filing system for Chinese overseas investments, cuts the examination and approval links, accelerates the examination and approval and increases efficiency.
“Privately-owned enterprises have played a significant role in outbound as well. The Chinese government and CODA support and help Chinese companies go global by all means,” said Mr. He. “Sound channels are provided to Chinese private companies to communicate with overseas investment partners or foreign governments, such as the China Overseas Investment Fair, which was co-founded by CODA and China Development Bank in 2009.”

In terms of key sectors, countries and/or regions for Chinese enterprises to invest in the future, Mr. He shared his opinion that overseas investments in infrastructure and heavy equipment manufacturing would have rapid growth in the near future. Mr. He said, “… such as high-speed rail construction and high way construction. These construction investments have been mentioned by Chinese Prime Minister Li Keqiang during his visits abroad.”

“Also, the countries or regions within the silk road economic belt or maritime silk road may have better chances of getting more Chinese investments in the future,” says Mr. He.

Demonstrating “bring-in” and “going abroad” and creating a win-win situation

“Bring-in” and “go abroad” can be combined to create a “win-win” situation, according to Mr. Freeman Shen, Group Vice President and Board Member of Geely Holding Group. Geely’s takeover of Volvo in 2011 is the first privately-owned enterprises’ successful acquisition of a high end automotive company.

Shen has taken the Geely-Volvo integration to illustrate the rationale of Geely’s going abroad strategy to acquire technologies and build high-end brand to enhance its status internationally. “We have to go abroad for the brand and technologies without which, the entire automotive industry of China would face big challenges.” He also believes that the China market and resources could benefit foreign stakeholders, such as employees, dealers, suppliers, governments and labor unions.

“Many people asked 5 years ago why Geely had invested abroad and acquires Volvo at tremendous risk. But in fact, the risk would be higher if not for trying to make the Volvo deal.” Shen says, “The automotive industry is interesting, vehicles are a kind of consumption and also a complicated manufacturing product. Yet, we had no sound brand for consumers without sufficient technology to design and produce high quality cars beforehand.”

In Shen’s opinion, making reasonable integration and job-allocation is pivotal to create a “win-win” situation. “Introducing advanced technology and international operations from Europe into China promotes Volvo’s global development and provides better vehicles for customers all over the world.” He says.

Making long-term business plans and having clearly defined overseas Merger & Acquisition (M&A) strategies are essential when taking actions – Mr. Zhong Lei contributes his point of view at the panel. Mr. Zhong is a Senior Managing Director at Fosun Group and leads the Global Investments & Strategies Group. “Many global investors raise a lot of money and invest to generate high returns quickly, and sometimes they are looking for relatively risky investment opportunities. Unlike traditional ways, we want to develop our global opportunities in the next 10 or 20 years, instead of the next 3 to 5 years,” Zhong says.

There are three essential elements when investing overseas during recent years and in the future, according to Zhong - “We are looking for the best and healthy growth, a long-term stable funding to match long-term investments, and developing with an “industrial value-added” mode. We see much wealth coming from the emerging markets.” Zhong says and he believes that investing in these European countries could generate high returns in the short term, and build networks for the families and companies between Europe and emerging markets in the longer term.
Foreign countries’ misunderstanding China

The US ranks at the top of the list for Chinese foreign direct investment and M&A. “Over the last 4 years, Chinese foreign investment in the US had been risen at a rate of about 11% annually, and the trend continues.”

Mr. Francisco Sánchez spoke at the panel. He is Chairman of CNS Global Consulting and until November 2013, he previously served as Under Secretary for International Trade at the US Department of Commerce. “Overseas investments of Chinese enterprises can be mutually beneficial and create a ‘win-win’ situation to the investor and investee.”

Seeking a strong and attractive market explains why Chinese investors choose the US as their favorite investment destination. The US market has advantages in economical energy costs, sound legal base for investments and manufacturing, educated workforce and outstanding universities that provide high-technology research and development services, as well as free-trade agreements with different countries.

Key post-merger integration and new strategies for future overseas investment

We heard in the market that there are failures of Chinese overseas investments, and there are concerns whether the Chinese investments overseas will create value for their investors.

Besides a sound investment strategy, a good post-merger integration plan is equally important. The return on investment and the profit can be maximized by their business expansion after acquisitions. Understanding future development of transaction targets can help post-merger integration go more smoothly. Let’s see how it excelled in regards to Geely.

“Our target is to expand business in China. Expanding the Chinese business would not harm our business in Europe,” Mr. Freeman Shen says. “The Chinese automobile market needs core components from Europe and Chinese companies provide employment opportunities to Europeans.”

Standardized corporate governance would also reassure European stakeholders. “We follow the European Union (EU)’s requirements of company governance and information disclosures for listed companies within the EU, which are not mandatory for private enterprises. We release our financial reports quarterly and the company operates a clear organization structure,” Mr. Shen says.

Mr. Wang Fangku, a Senior Managing Director at CITIC Capital and Chief Investment Officer of CITIC Kazyna Investment Fund I, said the toughest challenge for Chinese enterprises to overcome when they made overseas investments is the culture conflict and insufficient execution capability. “Some negative reports from the western media are due to misunderstandings of Chinese culture.” Wang says. “It is important to recognize cultural differences between the East and West.” Freeman Shen also shares a similar opinion. “Cultural conflicts exist in almost every cross-boundary M&A transaction. It is inappropriate to equate the national culture with the corporation culture.” He believes that culture is a kind of unwritten rule to follow, and if investors cannot get through such cultural integration, they would suffer in the future.

The capability of execution is viewed as essential when making an overseas investment, according to Wang Fangku. He says, “I heard many comments from foreign colleagues that Chinese people focus more on high level of strategies when doing business, and leave execution details to lower levels. Yet the communication among different levels remains insufficient and ineffective. A good idea could turn into a delayed action or even failure due to poor communication.” Wang suggests Chinese companies should enhance their learning curve to gain wider experiences and upgrade their capability of execution.

Mr. Zhong Lei emphasizes “mutual trust” when he shares tips for successful overseas investments. Zhong says that trust is important, especially when Chinese companies are investing overseas to build close relationship among the shareholders, management team and local market. “When we encounter difficulties, mutual trust can help us get through that.” Zhong says.

Alternatively, Mr. Francisco Sánchez suggests the key to a successful investment for Chinese companies would be to take advice from consultants, including the accounting firms and advisors, such as EY. These experts can help Chinese companies to identify and evaluate investment projects to make sure that the investment goes smoothly. “It is critical to identify risks early and assemble the right team with a fresh pair of eyes. It will give you a better chance for success.” Francisco adds.

Accordingly, Chinese companies face a series of challenges when they are “going abroad”, such as regulatory reviews and approvals, due diligence, investment strategy and post-merger integration. To achieve success, Chinese companies “going abroad”:

- Be patient - make long-term business plans
- Have a clearly defined overseas M&A strategy
- Don’t assume that what works in China will work overseas
- Understand future development of their transaction targets
- Identify risks early and assemble the right team to look at the market through a fresh pair of eyes

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Viewpoint 观点

赢得中国电子商务市场
Winning eCommerce in China

中国电子商务市场令人非常兴奋，这是一个巨大的市场。当然，市场参与者也面临相关挑战。零售商与消费品公司应如何顺应这一蓬勃的发展趋势，把握巨大的发展机遇？最近，在中国上海举行的安永战略学高等教育论坛期间，我们邀请到行业领先机构的高管人员，对此话题展开了深入探讨。

独具特色的中国电子商务市场

2013年，超过三亿家在线商家实现了3000多亿美元的交易额，约占中国零售业交易总额的8%。近几年，中国零售市场的平均年增长率超过70%，2013年中国已经超过美国，成为全球最大的电子商务市场。到2020年，中国电子商务市场规模预计将超过美国，英国、日本、德国和法国的总和。巨大的市场规模和十二五规划（2011-2015）期间政府对电子商务强有力的政策支持为本地和跨国零售商带来了巨大的发展机遇空间。

尽管美国、英国和加拿大等市场的电子商务发展较为成熟，但行业领先企业认为，最大的机遇存在于中国这样的新兴市场。其增长率远远快于成熟市场。移动电子商务和互联网的融合仍需不断推进。零售商带来了巨大的机遇，中国有超过五亿移动互联网用户，移动互联网用户在网购用户总数中占比超过60%。然而，目前，移动购物用户占比不超过10%。智能手机和平板电脑的激增推动电子商务渠道的强劲增长，将未来几年促成移动电子商务的快速增长。

天猫和淘宝等本地商城的盛行是中国电子商务市场的一个显著特征。尽管有些网络零售商被认为具备更长的全球性优势，但是，这类商城的高客流量、低启动成本和方便进入等特点为创新型创业者和中小企业在中国开展业务提供了极具吸引力的机遇。

全渠道零售的崛起

零售业的主导者逐渐不再是零售商，而是消费者。数字技术和智能手机已经改变了消费者的“购买路径”。如今，购买变成一种更个体化的有趣的体验。购物的社交元素也激发了这一趋势的发展。社交媒体对消费者购买决策产生的影响——尤其是在年轻一代当中——比全球其他任何地方的消费者都要大。零售商需要适应不断变化的客户需求，因而更加增加在电子商务领域的投资，并采取全渠道策略——全渠道为客户提供了一种选择。他们可以使用所有的购物渠道来购买。研究发现，实施强有力的全渠道零售与客户较受青睐的企业，他们的平均客户保留率为89%，而全渠道策略较差的企业这一数字为33%。

将电子商务作为一种消费者体验

关于购买渠道的选择依然是由客户本身所驱动的。因此，电商平台通过在线平台提供产品分类的相关信息，影响零售商的产品组合。无论零售商所采用的何种渠道，客户交互都是他们最关键的主题。对某些零售商而言，电子商务不仅提供了一种商业机会，还对提升业务形成补充——帮助客户更好地购物，而不仅仅是关注增加销量。从客户的角度来看，他们将电商平台视为线下销售的延伸。因此，为确保客户吸引且品牌知名度，从产品类别到定价等方面的线上线下的所有接触点提供一致的购物体验至关重要，对电商品牌来说尤其如此。

1 中国互联网络信息中心。
2 “10年内，中国电子商务可能占到全球零售额的30%。”Red Luxury, 2014年6月31日。
3 中国互联网络信息中心。
对很多零售商来说，线下购物体验对其客户来说仍然十分重要。然而，随着零售商将店铺业务扩展到中国市场，一致地沟通产品信息可能是最大挑战。零售商将电子商务视为一个有效的工具，用以高效地与消费者沟通品牌信息，而无需担心销售点等店铺因素。

有些全球零售商正在这样的店铺：无法快速找到合适的空闲来扩张实体店。由于实体空间的有限，诸多全球品牌难以进入一个新的市场，同时，电子购物可以作为一种新的商品。因此，电子购物可以为市场带来更多产品，令零售商获益。

### 技术促成体验式购物

e商商务网长远来简单地建立一个网站是复杂，它需要与店铺、移动应用、订单履行和其他一些关键功能进行整合，以全面了解客户体验，提高产品和服务的持续效用。要想在中国电子商务市场取得成功，就需要企业制定明确的策略，而策略又将受到业务模式的驱动。这种策略需要整合营销、技术与信息的平台和后台流程，跨越营销专业能力，组织灵活性与协作以及检测消费者行为变化的数据分析能力。

试验式购物是零售商谈判的一个热门话题，是指如何利用体验性技术来促成消费者互动和购物体验。零售商在提升体验式购物方面仍然得到了多种不同形式的验证，如交互式互动服务和增强现实等。然而，这类技术的成功还部分地取决于消费者自身的决策。

### 打造分析能力

领先企业将客户数据视为其最有价值的资产。大数据对于帮助零售商更好地了解客户，行为、识别和制定个性化服务、完善营销策略及其及其目标发展至关重要的衡量，高级数据是当前零售企业重要的竞争优势。然而，很多零售商还缺乏数据和分析人员和工具，从数据中获取有意义的深析和并采取相应的行动。企业需要投资数据挖掘的能力，以将这一潜在转化为切实的价值。

关于客户的专业洞察十分重要，关于员工 （内部运营） 的洞察同样重要。零售企业需要针对下一段的预测性分析基础，平衡购买、物流和发布。企业资源计划（ERP） 可以为提供更多的关联数据，企业应更好地支持快速决策，抓住市场动态和瞬息万变的购买行为等。

### 经销网络是一项关键的差异化因素

在电子商务企业的网站广泛拓展电子商务的应用，销售的提升显著提高。电子商务的应用在整体销售额的提升依然显著。在很多情况下，监视和销售的领先企业建立了 “网络” ——电子商务或企业内部实施的领先企业建立的电子商务网络，为企业提供了新的销售平台和销售优势。

### 管理网络是电子商务的另一项关键的差异化因素

例如，阿里巴巴与一些合作伙伴共同建立了一个销售网络，力求实现中国境内和全球24小时送达，将B2B和B2C电商企业京东与腾讯等与企业合作，建立自有的销售网络。有些公司投放于供应链和物流，以支持改进产品配送；有些公司则致力于建立合作伙伴关系，更高效地实现客户满意。

未来电子商务在中国电子商务市场发展将起到重大的作用。随着新的参与者和新业务形式的深化，企业的变化在不断演进。例如，我们看到新的参与者在供应链全球市场的趋势，将在中国商场及其他市场的变革中领导。中国电商平台的快速增长，电子商务平台的快速发展，将带来更多的产品创新和提高。

随着中国电商平台的快速，电商和零售企业也将明智地采取战略性策略。通过数字转型在短期内实现利润的利润增长，这可能不实现发展最快的可持续发展策略。深化网络群体——并购价值提高和实现重要客户，这将对电商企业市场具有战略性意义。零售企业和消费者公司需要充分利用层出不穷的新生态系统，制定策略时考虑产品动态。

4 “阿里巴巴与合作伙伴建立物流网络” ，财新网。2013年6月6日。
5 “京东和腾讯建立战略合作伙伴，改变中国电子商务行业” ，腾讯新闻。2014年3月10日。
ECommerce in mainland China is a very exciting area. It is a huge market, but one not without challenges for market participants. How can retail and consumer products companies ride on the thriving trend and capture the immense business potential? We recently discussed this with a group of industry leaders at the EY Strategic Growth Forum in Shanghai, China.

The unique China eCommerce landscape

More than 300 million online shoppers made over US$300 billion in transactions in 2013, accounting for around 8% of China’s entire retail trade. Growing at an average annual rate surpassing 70% over the past few years, China overtook the US as the largest eCommerce market in the world in 2013. China’s eCommerce market is forecasted to be larger than those of the US, the UK, Japan, Germany and France combined by 2020. The enormous scale and the strong policy support for eCommerce from the government under the 12th Five-Year Plan (2011-2015) presents extraordinary business opportunities to both local and multinational retailers.

While eCommerce is more developed in the US, the UK and Canada, industry leaders are seeing the biggest opportunity in emerging markets like China. eCommerce in China is growing much faster than in mature markets. Convergence of mobile eCommerce and the internet is still evolving and presents huge opportunities to retailers. With more than 500 million users, mobile internet accounts for over 80% of the total online population in China. Yet less than 30% today are mobile shoppers. The proliferation of smartphone and tablets, along with the stronger push by eCommerce providers, will accelerate the growth of mobile commerce in the next few years.

The prevalence of local marketplaces (such as Tmall and Taobao) is a striking characteristic of the China eCommerce market. Although some retailers are seeing marketplaces as a long-term global threat, the high traffic, low start-up costs and ease of entry to the marketplaces provided an appealing shortcut for innovative entrepreneurs and SMEs to launch businesses in China.

The rise of omni-channel retailing

Retail is increasingly being defined not by the retailers, but rather by the consumers. Digital technologies and smartphones have changed shoppers’ “path to purchase,” turning shopping into a more personalized and interesting experience. The social aspect of shopping also adds to the momentum. Social media has a greater influence on consumer’s purchasing decisions in China, particularly among the younger generation, than elsewhere in the world. The need to adapt to the ever-changing customer behavior therefore drives retailers to invest increasingly in eCommerce and to take on an omni-channel strategy, allowing customers to choose among all available shopping channels. Research has shown that companies with the strongest omni-channel retailing and customer engagement strategies retained an average 89% of their customers versus 33% for companies with weak omni-channel strategies.

eCommerce as a consumer experience

The decision on the purchase channel is driven by the consumers, not the retailers. It is therefore the customers who provide category insights through online platforms for pull-based assortment planning. Regardless of which channel retailers deploy, customer engagement is the key theme for all. To some retailers, eCommerce not only offers a commercial opportunity, it complements their core businesses by increasing customer convenience rather than solely focusing on growing sales. From the customer perspective, eCommerce is an extension of their offline shopping experience. It is therefore critical, especially for luxury brands, to maintain a consistent experience across all touch points, online and offline, in both assortment and pricing, to ensure customer engagement and brand loyalty.

For many retailers, offline shopping experience is still vital to their customers. However, communicating product messages consistently could be challenging as the retailers expand their shops in China. Retailers view eCommerce as an opportunity to communicate the message about their brands efficiently and consistently to their consumers without having to worry about the bottleneck at the point of sale.

Some global retailers face a challenge of not getting physical space quickly enough to expand their brick and mortar stores. With limited physical space, global brands are hard to bring to a new market while keeping a local flavor. eCommerce therefore offers a significant benefit to retailers for bringing additional assortments to the market.

1. China Internet Network Information Center.
2. “China’s e-commerce could account for 50 percent of global retail in 10 years”. Red Luxury, 3 Jun 2014.
3. China Internet Network Information Center.
Technology enables experiential shopping

The road to eCommerce is far more complex than simply building an online website. It needs to be integrated with the stores, mobile app, fulfillment and other key functions to generate a holistic view of customer experiences and enable ongoing innovation of products and services. Succeeding in eCommerce in China also requires companies to have a clear strategy, driven in turn by the business model. This strategy needs to consider integrated and scalable technology platforms and back-end processes, cross-channel marketing capability, organizational flexibility and collaboration, and data analytics to detect changes in shoppers’ behavior.

Experiential shopping is a hot topic for retailers. It is about how to enable consumer interaction and participation in the shopping experience with supporting technology. The potential for retail technology to enhance the physical shopping experience is already being demonstrated in a number of different ways, such as interactive kiosks and augmented reality. However, the success of this technology is partly dependent on spontaneous decision-making by consumers.

Building up analytics capability

Business leaders view customer data as their most valuable asset. Big data is critical for retailers to better understand customers’ shopping behavior so that they can identify and tailor services for individuals, and attract and retain select customers. This involves creating unprecedented opportunities for retailers, eCommerce will be more appealing if companies can tap into the tremendous growth potential in tier 3 and 4 cities. However, with changing consumer behaviour and the growing middle class in China, maintaining the relevant product assortment will be increasingly critical.

As China’s community of online shoppers grows, so will the traditional and online players that make smart and strategic moves. Making cut-throat investments to generate rapid profit growth in the short term may not be conducive to sustainable, profitable growth in the long term. Developing insights into who’s buying online, and tailoring the value proposition to attract and retain select customers will make a strategic difference to winning online. Retailers and consumer products companies need to make the most of the evolving ecosystem and consider product dynamics when developing strategy.

Distribution network is a key differentiator

Logistics remains a major challenge as eCommerce players attempt to reach more customers over wider geographic regions while improving the quality of their offerings. Retailers have to handle the operational issues, as they need a bigger warehouse and distribution force when they sell more. The major cities are getting saturated and highly competitive. To further expand into smaller cities, retailers need to continue investing in distribution networks – which is more difficult for inner cities with underdeveloped infrastructures.

Managing logistics may be a key differentiator in winning in the eCommerce market. For example, Alibaba teamed with a group of partners last year to create a delivery network in a bid to reach any place in China within 24 hours.4 Likewise, online direct sales company JD.com recently partnered with Tencent to build its own delivery network.5 While some invest in supply chain and logistics to support better product delivery, others work with partners to achieve more effective customer fulfillment.

Going forward, eCommerce will play a bigger role in China’s retail market. New business models are evolving as new players and platforms continue to enter the market. For example, we have seen new players leveraging global product deployment trends, offering post-season luxury products from other markets in China. While the rapid emergence of increasingly affluent consumers in China’s urban cities has created unprecedented opportunities for retailers, eCommerce will become more appealing if companies can tap into the tremendous growth potential in tier 3 and 4 cities. However, with a changing population mix and the growing middle class in China, maintaining the relevant product assortment will be increasingly critical.

As China’s community of online shoppers grows, so will the traditional and online players that make smart and strategic moves. Making cut-throat investments to generate rapid profit growth in the short term may not be conducive to sustainable, profitable growth in the long term. Developing insights into who’s buying online, and tailoring the value proposition to attract and retain select customers will make a strategic difference to winning online. Retailers and consumer products companies need to make the most of the evolving ecosystem and consider product dynamics when developing strategy.

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Ramona Cheng has over 20 years of experience in M&A and investment banking across North America and Greater China. With extensive cross-border experience covering a variety of industries, Ramona assists clients in developing and implementing China inbound and outbound strategies by connecting C-suite relationships, sector insights and business opportunities across jurisdictions.

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截至2014年上半年，上市银行业资产规模达人民币105.96万亿元，比上年末增加9.41万亿元。
增长9.75%，增速较上年同期的7.62%有所上升。
其中贷款总额人民币53.83万亿元，较上年末增
长6.13%，增速基本与去年持平。

2014年上市银行上半年业绩概览

2014年上半年上市银行手续费及佣金净收入合计人民币3,548,45亿元，占营业收入的比
重从2013年上半年的20.71%攀升至20.96%。

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As of 30 June 2014, there were 20 listed banks in mainland China (including four listed only in Hong Kong). In the first half of 2014, listed banks continued to pursue structural adjustments, strengthened risk controls, and still achieved double-digit growth in net profits despite economic downward pressure.

The total asset size of listed banks stood at 105.96 trillion RMB at 30 June 2014, up 9.41 trillion yuan from 31 December 2013, a 9.75% increase, higher than the 7.62% rate for the same period in the previous year. The total loan amount was 53.83 trillion RMB, up 8.13% compared with the end of last year. The rate of growth was on par with the same period in the previous year. Calculated according to total asset data in the Banking Financial Institution’s Balance Sheet (Legal Level) released by the China Banking Regulatory Commission (CBRC), the total assets of the 20 listed banks at 30 June 2014 accounted for 63.39% of the industry total.

The arithmetic mean net interest margin and net interest spread of the listed banks in FY2013 dropped respectively 0.17 and 0.18 percentage points from financial year 2012. They adjusted their asset-liability structure, with the result that the net interest margin and net interest spread stopped falling and stabilized, after a downward trend from 2011 to 2013. The arithmetic mean net interest margin and net interest spread of listed banks in the 6-months to 30 June 2014 was respectively 2.60% and 2.42%. Due to active cost controls and sustained growth in operating revenue, the cost-income ratio of the listed banks continued to decline. The arithmetic mean cost-income ratio was 28.02 percentage points for the first half of 2014, down 1.08 percentage points for the 6 months ended June 2013. The net fee and commission income of the listed banks was 563.176 billion yuan, with an average 1.05% growth rate compared with the 6 months ended June 2013. The eight listed national joint-stock commercial banks saw their weighted average credit cost increase from 0.67% to 1.06%. The weighted average credit cost of the listed banks as a whole rose from 0.53% to 0.70% in the 6 months ended June 2013.

The intermediation business is the area that banks should explore during the process of transforming their structures. Net fee and commission income in financial year 2013 grew strongly at 23% from financial year 2012. The momentum was maintained in the first half of 2014 at a 16.20% growth rate. The net fee and commission income of the listed banks totaled 354.845 billion yuan, accounting for 20.96% of operating income, compared with 20.71% in the first half of 2013. Bank card transactions continued to grow at high-speed and have become an important support and growth point. In the first half of 2014, the card business of the listed banks grew 28.14% year-on-year and accounted for 23.56% of their net fee and commission income.

The notice ordered banks to complete institutional reforms in wealth management services before the end of September 2014, in order to concentrate on unified operations and management of wealth management services, and run services according to the principles of stand-alone accounting, risk separation, standardized practices, and centralized management by specified departments. Through standardized management and risk separation, asset management in the banking sector will move toward an era of “asset macro-management.” In the future, income from wealth management services may likely be a bright spot for the revenue streams of the banks’ intermediation business.

In the first half of 2014, many medium and small banks established direct-sale banks. The emergence of direct-sale banks and other similar new banking operation models, reflects the positive impact of internet banking on traditional banking beyond areas of technological employment and channel innovation. The CBRC announced in March 2014 a list containing five pilot private banks. In July, the agency approved the establishment of three private banks; among them are Internet giants such as Tencent and Alibaba. What kind of transformation and impact will they bring to the banking sector has been eagerly anticipated.

For a period of time in the future, China’s economy may likely run in a stable manner. With economic structural adjustment, a booming Internet and Big Data, and marketization of interest rates, there will be opportunities and challenges therein. The banking sector must continue to innovate technologically, invest in risk management and pricing expertise, allocate resources rationally, raise operating efficiency, strengthen risk management, and win high-profit clients in order to address upcoming challenges.

Note: Unless otherwise stated, the figures in this report come from or are calculated from the data of the annual or interim reports published by the listed banks.

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Flora Chang has well rounded auditing and advisory experience in banking and financial institutions for 14 years. She specializes in providing assurance, due diligence, internal control review, corporate governance, financial restructuring, GARP conversion and risk management to financial services clients in Hong Kong, mainland China and other Asian and European countries.
The implications of increased international tax transparency on Hong Kong

国际上税务透明度的提升对香港的影响
陈先生咨询他的税务顾问张先生，他从2013年7月1日起在香港税务局只可全面性避免双重征税协定（Comprehensive Avoidance of Double Taxation Agreement/简称“全面性协定”）的框架下收集及交换纳税人的数据。然而香港与美国没有签订全面性协定，双方税务局并没有交换纳税人数据的渠道。

近年来，国际社会对提升税务透明度的呼声越来越高。国际集团的数据交换标准明确，一个税务管辖区必须同时具备全面性协定和交换协定这两种数据交换工具，作为经济合作与发展组织（简称“经合组织”）下成立的税务透明化及有效性交换数据全球论坛（简称“全球论坛”）的成员，香港有责任从全球论坛的建设，制订签订交换协定的法律框架，以符合上述的国际标准。

此外，在2013年初香港就印制修订自身的法律框架向相关各方咨询时，全球论坛亦正就香港实施数据交换的实际情况进行评估。若香港未能在该修订完成后制定交换协定的法律框架，香港将有可能被排除在交换，并可能被视为不符合合作的税务管辖区，这不但影响香港声誉，还可能削弱香港作为国际商业和金融中心的地位和竞争力。

由此可见，香港并无选择，只能按国际标准修改法例制订交换协定的框架，从而给予特区政府与香港签订全面性协定或交换协定作为交换纳税人数据的工具。

香港的交换协定网络

在一切情况下，当香港税务局局长批准一个数据交换请求后，该请求的当事人将收到书面通知，其资料将被置于另一缔约方的主管当局，下述各点由纳税人提出复核及修改的权利及相关时限：

在通知发出后14天内可要求取得

在通知发出后21天内提出

若修订要求被否决后，可于发出决定通知后14天内向司法司司长提出覆核。

然而，纳税人的权利可能受到的限制，如资料与事实相符或与本人无关，若纳税人在反对香港税务局向另一缔约方的主管当局提供其资料，香港将透过司法复核，向法庭指出税务局局长批准数据交换请求的决定不当，若税务局局长没有按照有关的程序或考虑事项审批该数据交换请求。

在香港税务局管理委员会的建议下，陈先生马上回复香港税务局的要求，要求税务司局根据现有资料来审查该数据交换请求。

若读者希望进一步了解如何处理要求披露的资料的通告或税务复核复核权的联系方式，可向税务局寻求合适的专业人士。
Mr. Chan is a professional magician and travels around the globe to give performances. A few days ago, he received a letter issued by the Hong Kong Inland Revenue Department (IRD), notifying him that the tax authority of the US has requested details of his income received from his recent performances in the US. Mr. Chan was surprised and clueless as to why the IRD has the authority to disclose his personal information to the overseas tax authority.

After consulting his tax advisor, Mr. Chan learnt that prior to July 2013, the IRD could only collect and exchange taxpayers’ information under the framework of Comprehensive Avoidance of Double Taxation Agreements (CDTAs). As such, the IRD and the US could not previously exchange taxpayer’s information, Hong Kong and the US having no CDTA in place.
A CDTA, aside from allowing the tax authorities of the two contracting parties to exchange taxpayer’s information, also confers other tax benefits and minimizes the incidence of double taxation, thereby facilitating trade and investment flows between the two contracting states. Given the potential benefits of a CDTA, the HKSAR Government has been actively seeking to expand its network of CDTA s. However, given that Hong Kong is a source tax jurisdiction and its tax rates are low, certain jurisdictions are not keen to enter into CDTA negotiations with Hong Kong, but nonetheless are interested to exchange taxpayer’s information with Hong Kong on a reciprocal basis. In early 2014, Hong Kong signed its first standalone Tax Information Exchange Agreement (TIEA) which is with the US.

In recent years, there have been concerted efforts on the international front to enhance tax transparency with a view to preventing and combating fiscal evasion. According to the latest international standard on Exchange of Information (EoI), a jurisdiction should make available both CDTA and TIEA as the EoI instrument. Being a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) formed under the auspices of the Organization for Economic Co-operation and Development (OECD), Hong Kong is obliged to comply with the recommendations made by the Global Forum and meet the latest international standard for EoI.

When Hong Kong was conducting consultations with the relevant stakeholders on whether Hong Kong should amend its law in order to enable Hong Kong to enter into TIEAs with other jurisdictions in early 2013, the Global Forum was also conducting a review on the implementation of EoI standards in practice in Hong Kong. If Hong Kong did not have a TIEA legislative framework in its legislation before the completion of the review, Hong Kong may run the risk of failing the review and being labelled as an uncooperative jurisdiction. This would not only undermine Hong Kong’s international reputation, but might have also impaired our position and competitiveness as an international business and financial center.

Against this background, Hong Kong had no other options but to follow the latest international standard and amend our law to implement the TIEA legislative framework, allowing other jurisdictions to employ either a CDTA or TIEA as the EoI instrument.

Hong Kong’s network of TIEAs

Subsequent to July 2013 when the legal framework enabling Hong Kong to enter into TIEAs with other jurisdictions was passed by the Legislative Council, in addition to the TIEA concluded with the US, Hong Kong has signed TIEAs with six Nordic jurisdictions (namely, Denmark, the Faroes, Greenland, Iceland, Norway and Sweden) in August 2014. This brings the number of TIEAs Hong Kong has concluded with other jurisdictions to seven.

All the TIEAs that Hong Kong have signed are based on the model developed by the OECD. These TIEAs provide that information will only be exchanged with the relevant contracting party upon receipt of requests and no information will be exchanged on an automatic basis. If the information requested is not available in the tax files of the IRD, the Commissioner of Inland Revenue (CIR) will exercise his information gathering power to obtain the information from the taxpayer concerned or any other parties.

Safeguards to protect taxpayers’ privacy and confidentiality of information exchanged

In order to afford legal protection to taxpayers in terms of privacy and confidentiality of information exchanged, relevant safeguards are provided in the texts of the CDTAs or TIEAs. These safeguards provide that the information exchanged may be disclosed only to persons and authorities in the assessment or enforcement in respect of the relevant information and any information received must be treated as confidential. Furthermore, the Contracting Party is not obliged to supply information which would disclose any trade, business, industrial, commercial or professional secret (including legal professional privilege) or trade process.

Taxpayer’s rights

In addition to the above safeguards of a taxpayer’s rights afforded by the terms of a CDTA or TIEA, the domestic tax law of Hong Kong has also adopted a notification and review mechanism which is only available to a few OECD jurisdictions, in respect of information to be exchanged.

Under this notification and review mechanism, the CIR will notify in writing the person who is the subject of the request of the nature of the information requested by a Contracting Party after an EoI request is approved. The diagram below depicts a taxpayer’s rights to request to review and amend the information to be exchanged and the relevant time limits.

Request to review a copy of the information to be disclosed within 14 days after the notice is given

If the amendment request is rejected, a right to request the Financial Secretary to review the amendment request within 21 days after copy of the information is given

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Forensic accounting and food safety

Recent high-profile cases in various countries have raised concerns about the safety and quality of food products. These cases have led to increased scrutiny of the food industry and the need for more effective regulatory measures. Forensic accounting has emerged as a valuable tool in investigating food safety incidents, providing evidence to support legal actions and policy changes. This viewpoint explores the intersection of forensic accounting and food safety, highlighting the importance of rigorous data analysis in ensuring consumer protection.

1. **Golden Sample Identification**
   - **57%** of respondents in a recent survey agreed that golden samples (high-quality, consistent product) can be used to detect fraud. The golden sample is crucial in forensic accounting, as it establishes a benchmark against which all other products can be compared.

2. **Third Party Intermediaries**
   - **26%** of respondents believed that third party intermediaries perform a critical role in due diligence. These intermediaries act as a bridge between suppliers and buyers, facilitating transparency and accountability in the supply chain.

3. **Right to Audit**
   - **37%** of respondents supported the right of consumers to audit the supply chain. This principle is fundamental in forensic accounting, ensuring that consumers have access to information about the origin and quality of their food products.

4. **Forensic Data Analysis**
   - **38%** of respondents noted that forensic data analysis is a powerful tool in investigating food safety issues. This includes the analysis of financial data, supply chain records, and other sources to uncover fraudulent activities.

**Conclusion**

Forensic accounting plays a crucial role in enhancing food safety. By applying rigorous data analysis techniques, forensic accountants can identify patterns of fraud, ensure compliance with regulations, and help in the pursuit of justice. As the food industry continues to evolve, the integration of forensic accounting will become increasingly important in safeguarding public health and promoting trust in food products.
he recent eruption of food safety problems has caused growing unease among the Taiwan public about its food sources. When something occurs to upstream raw materials for food, many final food products downstream do suffer as well. When a few unscrupulous producers adulterate their food raw materials with inferior substitutes or cheap industrial producers adulterate their food downstream do suffer as well. upstream raw materials for food, when food safety problems arise, downstream businesses often could not tell which link in the procurement chain had gone wrong. In EY’s “2013 Asia-Pacific Fraud Survey,” 57% of surveyed enterprises’ executives believed that in all transactions involving a third-party, the vendors and suppliers posed the highest compliance risk for companies, yet despite that, 26% of surveyed companies did not have any systems or processes to manage or monitor their third-party relationships, and only 3.7% had an “approved supplier database,” while 38% had conducted background checks on their suppliers. Many enterprises would concentrate only on their compliance practices and neglect those of their third-party intermediaries (such as suppliers and agents). In fact, in the eyes of regulatory authorities, companies have a responsibility to ensure compliance of their own as well as with third parties. If they know nothing about their third parties, or learn about but do not report on illegal practices of their third parties, holding an indifferent attitude, they could be regarded as accomplices and punished along with their third parties.

Related to the third recommendation, EY FIDS recommends making good use of forensic data analysis when examining the accounts and books, instead of inspecting random samples of transaction records. The strength in data analysis is its comprehensiveness, as opposed to random sampling. This would avoid warping the entire analysis by biases of the chosen sample data. Forensic data analysis is effective to identify high-risk and abnormal transactions; for example, by comparing the price quotations and food production costs of several suppliers, it can reveal whether there is a low-priced material substitute risk. In addition, analyzing changes in production costs and unusual movements in procurement prices helps to control and manage the risk of procurement fraud. Once a high risk is identified, forensic accounting staff can trace fund flows and build an audit track, finding the clues and signs that lead them to a problem producer within the procurement chain. The use of forensic accounting expertise and forensic technology to fight against food fraud is not a new concept. EU members, such as Italy and the Netherlands, have formed dedicated “food police” teams. They approach food safety from an innovative perspective, employing the techniques that the police utilize in criminal investigations, such as intelligence gathering, financial investigation, and forensic accounting. They also make good use of communication and digital investigations to identify potential food fraud. As one of the leading forensic accounting practitioners in the Asia Pacific, EY can leverage on its technology and experience to crack down on food fraud and help build a “better working world.”

1 Britain saw the incident of horse meat sold as beef in 2013. In the United States, food producers deliberately put peanut butter contaminated with Salmonella bacteria on sale in 2009.
医疗行业在构建一个更健康的中国角色

Industry's role in a healthier China

中国大陆能否成为医疗卫生领域的全球领导者，这可能需要一些想象力。但自从安永在上海举办的安永战略峰会上，以相关医疗健康领域的专家发表的意见来看，想象力并不缺乏。

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Participants in the session - a roundtable chaired by EY’s Global Life Sciences Leader, Glen Giovannetti - were drawn from a cross-sector of global and Chinese health care leaders, including pharmaceutical and health care companies, medical technology and IT leaders, food companies and agrifood businesses.

The iLab session, against the backdrop of the SGF, was timely. The Chinese government has launched a health care reform process that makes other countries’ efforts appear unambitious. More than US$350 billion has already been spent on establishing a basic health insurance system and improving infrastructure, access to care and medicine, with more government investments to come in the next four years. But as iLab delegates pointed out, the reforms take place against substantial challenges: growing incidence of chronic disease, a rapidly ageing population, massive urbanization, inefficient infrastructure and imbalanced allocation of resources.

With these massive changes in mind, one big question arose for the iLab delegates: where can, and should, the private sector expect to play a greater role in helping to expedite growth and contribute to the sustainability of Chinese health care? The answers from around the table - and from other discussions at the SGF - were varied, but pointed to several positive paths for the private sector to take.

Can mainland China become a global leader in health care? It may require a leap of imagination, but according to a roundtable discussion among industry leaders who participated in EY’s Future of Health iLab at the recent Strategic Growth Forum (SGF) in Shanghai, imagination is an asset in plentiful supply.
Using data to disrupt

One of the biggest problems in China’s health care system is that its care providers are under-resourced and time-poor. One leading entrepreneur told delegates that his company had overcome the challenge of introducing new technology solutions to the health care market by creating innovative products based on care providers’ experience, leveraging patient data and affordable technology to free up doctors’ time and allow them to make better clinical decisions. “We used data to disrupt,” he explained.

Making better use of data is a crucial element of building sustainable health care systems, and many Chinese entrepreneurs regard the country’s massive demographic shifts as presenting clear opportunities in this area. The concept of ‘ageing in place’ – allowing people to grow older in their own homes – is catching on in China, and e-health-enabled housing is springing up in some cities (“property developers are becoming hospital developers,” as one iLab delegate put it). The country’s growing, increasingly urbanized middle class, and a new wave of “millennials” who expect a digitalized future, are behind China’s rapid uptake of telemedicine and other innovative health care services. Life sciences companies operating in China are working hard to disrupt the health care market by creating innovative solutions to the health care market by creating innovative products based on care providers’ experience, leveraging patient data and affordable technology to free up doctors’ time and allow them to make better clinical decisions. “We used data to disrupt,” he explained.

In any case, collaboration with the government will remain essential for any would-be health care entrepreneur. Public-private partnerships (PPPs), now a common element in the Chinese economy, are expected to become more common in the future, shifting the balance away from state owned enterprises, and creating a more level playing field for local Chinese companies and multinationals. Already, it is not hard to find plenty of good examples throughout the Chinese health care market of PPPPs and other forms of collaboration between multinationals, Chinese companies and the government, addressing many of the challenges described by iLab delegates: education of medical personnel, preventive health schemes against chronic disease, and telehealth programs to take pressure off front line care.

For multinational companies in the life sciences and health care sectors, tackling bureaucracy in the Chinese health market can be a major hurdle to their growth in the country. As one iLab delegate (from a leading life science company) explained, “a lot of our resources are spent on dealing with RDPAC [R&D-based Pharmaceutical Association Committee],” Life science companies operating in China are working hard on opportunities to cooperate with health authorities; perhaps, it was suggested, they could do more to cooperate with one another and pool resources to create more efficient paths to market entry. Sharing business best practices and management know-how is also becoming a valuable lever for multinationals working within China. The head of China business for one global private equity firm pointed out to the SGF audience that whenever he invested in the country, he took an “act local, think global” approach: emphasizing the importance of localization, but also introducing more advanced management techniques to help Chinese companies to go abroad. The business acumen of multinationals is a valuable asset with which to form partnerships with the growing number of globally ambitious Chinese health care and life sciences firms.

There is more potential for private sector involvement in Chinese health care than at any time in the country’s history, “We had nothing to begin with, and we are just starting to build,” said one iLab delegate. “People understand the importance of health to the country’s GDP.”

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Using data to disrupt

One of the biggest problems in China’s health care system is that its care providers are under-resourced and time-poor. One leading entrepreneur told delegates that his company had overcome the challenge of introducing new technology solutions to the health care market by creating innovative products based on care providers’ experience, leveraging patient data and affordable technology to free up doctors’ time and allow them to make better clinical decisions. “We used data to disrupt,” he explained.

Making better use of data is a crucial element of building sustainable health care systems, and many Chinese entrepreneurs regard the country’s massive demographic shifts as presenting clear opportunities in this area. The concept of ‘ageing in place’ – allowing people to grow older in their own homes – is catching on in China, and e-health-enabled housing is springing up in some cities (“property developers are becoming hospital developers,” as one iLab delegate put it). The country’s growing, increasingly urbanized middle class, and a new wave of “millennials” who expect a digitalized future, are behind China’s rapid uptake of telemedicine and other innovative health care services. Life sciences companies operating in China are working hard to disrupt the health care market by creating innovative solutions to the health care market by creating innovative products based on care providers’ experience, leveraging patient data and affordable technology to free up doctors’ time and allow them to make better clinical decisions. “We used data to disrupt,” he explained.

In any case, collaboration with the government will remain essential for any would-be health care entrepreneur. Public-private partnerships (PPPs), now a common element in the Chinese economy, are expected to become more common in the future, shifting the balance away from state owned enterprises, and creating a more level playing field for local Chinese companies and multinationals. Already, it is not hard to find plenty of good examples throughout the Chinese health care market of PPPPs and other forms of collaboration between multinationals, Chinese companies and the government, addressing many of the challenges described by iLab delegates: education of medical personnel, preventive health schemes against chronic disease, and telehealth programs to take pressure off front line care.

For multinational companies in the life sciences and health care sectors, tackling bureaucracy in the Chinese health market can be a major hurdle to their growth in the country. As one iLab delegate (from a leading life science company) explained, “a lot of our resources are spent on dealing with RDPAC [R&D-based Pharmaceutical Association Committee],” Life science companies operating in China are working hard on opportunities to cooperate with health authorities; perhaps, it was suggested, they could do more to cooperate with one another and pool resources to create more efficient paths to market entry. Sharing business best practices and management know-how is also becoming a valuable lever for multinationals working within China. The head of China business for one global private equity firm pointed out to the SGF audience that whenever he invested in the country, he took an “act local, think global” approach: emphasizing the importance of localization, but also introducing more advanced management techniques to help Chinese companies to go abroad. The business acumen of multinationals is a valuable asset with which to form partnerships with the growing number of globally ambitious Chinese health care and life sciences firms.

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Iain Scott坚信，要想安永生命科学行业的研究过程，与客户、安永从业者和其他行业利益相关方合作，制定安永对行业

Scott 的说法：“It is a risk to not take a risk.”

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