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Chinese reactions to disruptive forces in tourism: A study of the impact of the Chinese government

Master Thesis
Wenjun Zhao
CPR: 2609873410

Supervisor: Helene Balslev
Aalborg University
Master in Tourism
Hand-in date 30.05.17
59 Pages
140,606 Characters
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Acknowledgements

I would like to extend my sincerest thanks and appreciation to my academic supervisor Helene Balslev, Associate Professor at Aalborg University, whose academic experiences and helpful inputs have benefitted me greatly.

I am also grateful to a range of individuals who let themselves interview for my thesis, and whose great expertise in their respective fields contributed directly as empirical data, and also helped me understand how digital disruption impact tourism. My gratitude goes to Casper Tollerud, CEO at Beiou 360; Christy Chen Moeller, owner of ChinaBase Travel; Daniel Schmidt, Consultant at Monitor Deloitte; Lasse Christian Buchert, Trader at Flow Traders; and Martin Pedersen, Project Manager at Innovation Centre Denmark.

Copenhagen, Denmark

Wenjun Zhao
2 Abstract

China accounts for 12% of global tourism revenue, with high growth rates. However, when China’s reactions to shifts in the global tourism industry is surprisingly absent in the literature. One of the global shifts in the tourism industry is how technology disrupt tourism companies and organizations.

This thesis reviews the forces that would influence disruption within a country. In total, eight forces are identified and discussed, resulting in a framework for analysis. The framework is then used to analyse, first disruptions in China in general, and then disruption in the Chinese tourism industry.

The thesis uses a qualitative methodology, and the analysis is based on in-depth interviews with industry experts.

The thesis finds that there are several unique forces in China that impact how and where disruption happens. Most noticeably, many state-owned industries seem protected, and especially foreign technology companies are kept out. On the other hand, the private sector (which includes most of the tourism industry), is highly vibrant, with several cutting-edge technology companies likely to make a disruptive impact.

Conclusively, this thesis suggests that disruptions happening in the Chinese tourism industry might later spread to other parts of the world, and the disruptions might “follow the tourists”. The thesis ends with suggestions for future research.

Key words: disruption, tourism, China
3 Introduction

When glimpsing over contemporary tourism research it does not take long to identify China (with its large population and growing tourism industry) and disruption (with its ability to fundamentally change an industry) as two core themes. However, the combination of China and disruption seems like a surprisingly absent area within tourism’s current body of research.

China now accounts for more than 12% of global tourism consumption in terms of its buying power, according to UNWTO (UNWTO, 2017). Therefore, it is meaningful to discuss how China and the Chinese tourism industry have dealt with different challenges and digital disruptions, and how it will likely do so in the future.

3.1 Disruption in tourism

It is stated that disruptions will “transform life, business, and the global economy” (Manyika, et al., 2013). According to Kumar (2013, p. 2895), Information and Communications Technology (ICT) development plays a “momentous and permeating role” regards to the effects of tourism. “The energetic growth and development of the [tourism] industry are perhaps only mirrored by the growth of ICTs” (Buhalis & Law, 2008, p. 609). UNWTO (2001) also mentions that it is the easy accessibility of ICT arise the tourism industry, to bridge the interaction gap between tourists and tourism organizations. Since ICT not only provide customers a better platform to identify, purchase products but also enabling industry suppliers a more efficient tool to develop, distribute and manage the product global wise (Buhalis, 1998).

3.2 Research question

Given the importance of the Chinese tourism industry from a global perspective, the unique political settings, and the likely importance of technology and potential disruptions in the tourism industry, this thesis will seek to answer the following question:

*How will the Chinese tourism industry react to digital disruptions and how will this be influenced by the unique Chinese settings?*

3.3 Definitions

In the following paragraphs, I will look into the structure of this thesis, followed by discussions of how the tourism industry is expanding in China. First, however, I will clarify some of the terms by providing my definitions:

- **Tourism:** Tourism is defined as the whole tourism industry including all of its actors: DMOs, tourists, and individual tourism companies. Tourism spans both inbound and outbound tourism.
- **China:** By China I refer People’s Republic of China (PRC) incl. Hong Kong and Macau, but
excluding Taiwan and other areas not under control of the PRC government.

• Disruption: When an offering (typically a technology-driven offering) disrupts an existing industry by fundamentally changing the competitive landscape. See the literature review for further discussion.

3.4 Structure of this thesis

The remainder of the thesis is structured as follows. First, the context of the research question will be discussed, i.e. why it is interesting. Then, the methodology and scientific approach will be discussed. This will be followed by a literature review of the factors that affects how and why an industry is disrupted. The outcome of the literature review is a conceptual framework. Through the lens of this framework, I will first analyze disruption in tourism and then disruption in China, which will finally lead to an analysis of disruption in the Chinese tourism industry. The analysis will start with an analysis of how China has dealt with disruption so far, after which I will use the conceptual framework together with recent development in the Chinese society to deduct what might likely happen with disruption within the Chinese tourism industry in the future. Through this analysis, I thus answer my research question. Before concluding, I will put my findings into perspective by comparing China to Denmark. Denmark is a very different country in many ways, and thus explain structural differences between the countries. Finally, the findings are discussed and future research directions are suggested. The thesis then ends with a short conclusion.

4 Growth of Chinese tourism

The annual report from UNTWO shows that the international tourism has grown sixth year straight with a record 1.2 billion tourists in year 2015 (UNWTO, 2016). China as the world’s second largest economy indeed carry a large share in delivering tourists as well as managing the inbound tourists.

Statistics (China National Tourism Administration, 2016a) shows that China’s outbound departures has reached a new hit in year 2015, which has increased 9.7% compared to the year before. According to China National Tourism Administration (2016a; 2016b), the total number of Chinese travellers abroad has increased 10-fold despite the declining growth rate of the number of overseas tourists after the year 2007. And the number is expected to increase, as more Chinese people are expecting to hold a passport in the upcoming years (China National Tourism Administration, 2016a).

Chinese tourists are also seen as the biggest-spending groups, and despite of the decline of global economic growth, travellers from China spend more than anyone else, and the amount the Chinese tourists spend per capital stands on the top. A report from McKinsey (2016) shows that 30% of the Chinese tourists would see shopping availability as a measurement when they choose the holiday destination. Chinese tourists spent nearly USD 129 billion abroad in 2013, and in 2015, the number has increased to USD 215 billion. The figures from World Travel and Tourism council shows that it is
expected to increase even more by 2020 (Anderlini, 2016; International Trade Administration, 2015). Also, the inbound tourism has shown great statistics: China’s tourism industry has maintained a high growth rate in recent decades. From ranking 41st in year 1978 to 4th in numbers of international tourist arrivals (UNWTO, 2009), China has gained a great progress.

4.1 Tourism in China

Other aspects also differentiate China in the global position. “China’s importance as a driver of tourism development cannot be understated,” says Rifai, Secretary-General of UNWTO, “Chinese authorities continued recognition of tourism as a strategic pillar of the national economy and an effective development tool, make China a fitting host for the next UNWTO General Assembly” (UNWTO, 2015). China function as a prominent leader in domestic tourism as well as the source market in the worldwide make China a special one.

Unlike in most other developing countries, the Chinese government have had a big impact on the tourism development (Zhang, Chong, & Ap, 1999). Especially, while private sector has little experience within the industry, the involvement of the government has played a crucial role in the whole industry.

Meanwhile, as the rapid growth in China’s society and economy, the role of the tourism industry in China has changed. According to Zhang et al. (1999), there are three periods of how the Chinese government have thought of tourism: 1) regarded nature of tourism as both politics and economics, 2) regarded nature of tourism as economics over politics, and 3) regarded nature of tourism as a tool in the movement of socialist market economy. President Xi (2014) points out the idea of the “Chinese Dream” to “build a moderately prosperous society and realize national rejuvenation”. In the matrix of analyzing the relationship between tourism and Chinese Dream, Weaver (2015) proposes that tourism can function as a manifestation, facilitator and sometimes as inhibitor of the Chinese Dream. It can therefore be argued that the Chinese government is still trying to develop the tourism industry, and play an important role of its policy formulation and implementation. Tourism has strong support from the government in China, which is different compared to many other developing countries.

Parallel with its “Chinese Dream”, it is also recognized that China is able to boost the global tourism industry due to few advantages. A willingness to pay, having enough cash and strong buying power like luxury products are seen as main advantages that Chinese tourism is continue booming (CTRI, 2015).

The idea of “Chinese Dream” was introduced back in 2012 by Xi Jinping, the President of China (China Daily, 2013). Xi proposes that the great rejuvenation of the Chinese nation "is a dream of the whole nation, as well as of every individual" and emphasises that “only when the country is doing well, can the nation and people do well” (China Daily, 2013). In short, the Chinese Dream has been a
slogan of the current administration to guide all of its policies. The overarching aim is to develop a prosperous country with prosperous people. Among initiatives started under the Chinese Dream umbrella is, for example, open up of financial markets, investments in free trade, investments in education and innovation, crackdown on corruption, and importantly also, focus on creating global awareness of Chinese culture through both inbound and outbound tourism (China Daily, 2014). The government has concentrated on individual citizens and Chinese nation as a whole, the vision of making dream of the people a reality by actions.

4.2 Political importance of tourism in China

Given the political system in China, the Chinese government has a big influence in China, and therefore, it is also important to observe its priorities. Two priorities that are important for tourism the government’s wish to strengthen its global soft power, and that it is attempting to transition the economy from being driven by investments and export to being driven by consumption. These will be discussed in the following paragraphs.

The first reason why tourism is of strategic importance to the Chinese government, is that it can strengthen soft power abroad. As introduced by Joseph Nye (2004) already in late 1980s, “Soft power” was only introduced to China 10 years ago (Huicong, 2017; Nye, 2004). Soft power is described as the ability to influence people’s behaviour through attraction, incl. culture, products, and international relations. For instance, it is often stated that Hollywood is a great source of soft power for the USA, since it has the ability to project American values to the rest of the world. Nye (2004) also claims that soft power is as needed as hard power when forming a successful state. China is well-known for being the global workshop of everything, from car production to electronic components. Being the second largest economy in the world, it is thus already an economic superpower. With rising military expenditure, it can now also be considered a regional military superpower (Huang C., 2013). However, the world’s second-largest economy seem not to have gained as much cultural influence in the world (soft power) as its economy would predict (The Economist, 2017).

China is recently selling itself as a brand that has ability to attract people by its culture, products and values (The Economist, 2017). According to Nye (2004), there are three main approaches for a country to gain soft power, through its political values, its culture and its foreign policies. The Economist (2017) points out that instead of exporting its political value, China is mainly focusing its foreign policies on promoting its culture. For instance, it has set up Confucius Institutes worldwide, put on 100 events to introducing Chinese New Year as well as sponsoring red-coloured Chinese lanterns in the city street to spread atmosphere during Lantern Festival in 140 countries (The Economist, 2017).

In 2014, President Xi officially announced a priority to “increase China's soft power, give a good Chinese narrative, and better communicate China's messages to the world” (Shambaugh, 2015). Soft
power has gained a wider meaning under the Chinese context, and is now an “important indicator of comprehensive national strength”, which is regarded as important as economic and military power of the country. As indicators of the importance, the 2008 Beijing Olympic, 2010 Shanghai Expo, and more than 500 Confucius Institutes were built over the world, are parts of the policy to promote Chinese culture, and to strengthen China’s soft power (People's Daily Online, 2010).

Tourism is indeed a useful tool to display a country’s culture, and thus to gain soft power. Meanwhile, tourism industry is a fast growing, and promising sector playing a crucial role. As the most visited developing country in the world, 4th most visited country as a whole, China attracted more than 55 million visitors in 2014 (Worldatlas, 2017). Tourism is therefore important for China to gain its soft power. Likewise, the Chinese tourists travelling abroad has a potential to carry soft power with them. However, there is still big potential for development of China’s soft power, if China is to be more “inherit and innovative”, says Han at China’s soft power research group (People's Daily Online, 2010).

The second reason why tourism is of strategic importance is because it can help the economy transition into a consumption-driven economy.

China’s investment-heavy, export-driven strategy has been stated unsustainable both from an environmental perspective and an economic perspective (Huang Y. , 2013). For instance, 60% of global solar panel productions are provided by the 10 largest manufactures in China (Huang Y. , 2013). In 2010, 96% of the productions were exported. These oversupply situation lead to a low margin for the companies, who have turned unprofitable. The Chinese government has acknowledged that the investment-driven strategy is reaching its limits, and that a functional solution is needed to reduce its investment-driven model and to increase its consumption in order to rebalance the country’s economy (Huang Y. , 2013).

When China is going to transit to a consumption-driven economy, tourism will play an important role due to its high consumption, labour and service heaviness (as opposed to investment and capital heaviness), along with other service industries. This transition of growth model from an export-driven one to one cantered on household consumption is being seen as a big impact to those counties in the region, due to China’s significant position in economy. Researchers claim that tourism could open a new door for some destinations (Arslanalp, Helbling, Lee, & Mathai, 2016). For the tourism business of Australia, China’s rebalancing is seen as a big opportunity, says Australia China Business Council (ACBC) (ShineWing, 2016). According to ACBC, Chinese visitors are not just consuming the highest average among all different nationalities, but estimated to take over New Zealand, to become Australia’s largest international market by 2020. Cioccarelli (2017) suggests that as China’s economy is growing, the demand for Australian exports will grow as well, due to the strong interdependency between the two economies.
As domestic consumption goes up, the demand for tourism entertainment has also increased among the Chinese. The Golden Week holiday in China was brought up to stimulate domestic demand. The statistics shows that the travellers during the Golden Weeks has increased year after year. In 2015, around 750 millions Chinese people took a trip for the Golden Week in October (Lu, Boykoff, & Yu, 2015). Some destinations even had toll free on bridges and attractions gates to attract more travellers.

5 Methodology and scientific approach

5.1 Scientific approach and research design

To answer the research question, the thesis will be qualitative in nature. The study will adopt an exploratory approach through literature review and 5 semi-structured interviews with industry experts working in the Chinese tourism industry.

The research strategy applied is mainly deductive. This means that it will look at all the things written in the literature about disruption of an industry, and then test whether these things hold true for the Chinese tourism industry as well – and ask why, or why not. On the basis of review of the current body of knowledge, I will list the elements of disruption that are relevant to study for this thesis in order to assess and predict how an industry will respond to it. I am aware that there are several other elements of disruption; however, it is beyond the scope of this thesis to analyze all of them why I only look into some of them. These elements will constitute a framework. The interviews will address the elements of the framework with respect to the Chinese tourism industry, and thus answer the research question.

5.2 Delimitation

This thesis will not go into details of the macro-economic implications of disruption. It will also not draw any conclusions on which companies are likely to become the most successful. Lastly, the thesis will also not offer any managerial implications of the findings, but instead leave this up to the individual tourism companies and DMOs to deal with.

5.3 Methodology

5.3.1 Methodology considerations

This part describes my methodological choices in this thesis. The methodology concerns how I did the analysis part, and which methods I used, and describes how I used the framework for my analysis to answer my research question.

Qualitative and quantitative approaches

---

1 Golden Week holiday is two week-long national holidays in China stablished on 1 October 1999. Most companies and factories close down during the holidays.
My methodological approach for this thesis is a qualitative approach. The following briefly discuss the pros and cons of quantitative and qualitative research.

In quantitative research, the structured approach enables the data to be more reliable and accurate, while the qualitative interview would largely reflect the researcher’s interpretation. In qualitative research, interview is regarded as less structured than through the quantitative research. However, by applying qualitative method, would be more flexible to get a detailed and richer answer compared to applying the structured interviews (Bryman & Bell, 2011).

Besides that, during the qualitative interview, new questions can be added to follow up interviewees’ replies. This is known as semi-structured interviews. For instance, if one interviewee stated something about how venture capital is more network dependent in China, I had the chance to ask him to elaborate, and in that way gain better and more precise answers for my analysis. Semi-structured interviews, should however not be confused with unstructured interviews. Unstructured interview is a way of collecting data. It usually starts with a single question from the interviewer, and the interviewee respond freely. Burgess (1984) claims that unstructured interviewing share a similar characteristic with conversation in terms of style. Semi-structured interviews, on the other hand, requires me as an interviewer to prepare a list of questions covering the topic, which can guide me through the whole interview, while add-on questions are allowed.

It is known that it is time consuming to conduct interviews, preparing the transcription as well as the analysis of the interview, however, interview and its analysis could be applied to understand the whole context as well as get to know interviewees better, which makes it more useful to the project (Bryman & Bell, 2011). However, a main challenge is to establish trust with the interviewees, to ensure that the information retrieved from the interviews are reliable.

The empirical data collected through qualitative interviews will be used to populate the analysis, which will be centered around the aforementioned conceptual framework.

**Preparing an interview guide**

An interview guide with the most important subjects were prepared prior to the interviews, and questions were prepared differently depending on the interviewee. Follow up questions were added to get more details (Kvale, 1997). Nine different kinds of question were processed during the interview. These questions including introduction questions: ‘Could you introduce yourself first’, follow-up questions: ‘What do you mean by that…’, direct and indirect questions: ‘Are you happy about the new policy’, probing questions: following up questions through direct question etc., that helps to conduct a high variable qualitative interview (Kvale, 1996). It is important that the conversation is led by the interviewer to achieve the objectives during the semi-structured interview. It is also important to avoid just talking to the interviewee but lead the conversation with a guidance.
By using this types of questions and approaches, the interviews turn out very successful and insightful, and as a solid foundation for using the framework (described later) and answering the research question.

Formulating questions for an interview guide (Bryman & Bell, 2011, p. 477)

**Sampling**

Marshall (1984) describes limitations of choosing the interviewees to avoid the potential influencing factors. Wrong sampling can bias the interviews and thus also the findings. The following describes my approach to avoid this:

Firstly, I have made sure to interview both Chinese people and Danish people to avoid any national bias. In total 4 Danish and 1 Chinese. I have also interviewed people of different gender (4 men, 1 woman) and ages, and the age covers from 27 years old to 53 years old. Lastly, the interviewees were people with different perspectives on either the Chinese tourism industry or disruption, to get different perspectives on my research question. All Danish people interviewed are familiar with Chinese culture and have lived in China for at least three years, which ensures that they can give input of high quality on the Chinese society. Based on their knowledge, it is easier to approach the topic and since they have a better knowledge of what is going on in China.

The initial idea of the interviewees including five Chinese and five Danish who has knowledge in business and disruption, additionally, who have experiences in both working and living in China and Denmark. The fact that I only got five interviews unfortunately have made my interviewees slightly skewed towards Danish (4 vs 1 Chinese) and men (4 vs 1 woman). However, this is not believed to have a big impact on the result.
Because of the issues I mentioned in previous paragraph, I decided to take my research based on other materials, articles and newspaper. Additionally, as a student from China, I have insight of the country, understand the culture and society background. And I have access to newspaper, articles and other sources from China as well as my ability to read Mandarin Chinese.

5.3.2 Interviews conducted

Interviews were the main source of qualitative data. Five semi-structured interviews were used with tourism organizations and tourism experts, and focused on extracting professional views on how to deal with disruptions in the tourism industry (Examples will be shown in the analysis).

The five interviewees were Casper Tollerud, CEO at Beiou 360, who have lived in Shanghai for 17 years; Christy Chen Moeller, owner of ChinaBase Travel, who is Chinese, and who has a tourism business between Denmark and China; Daniel Schmidt, Consultant at Monitor Deloitte, who used to work in Danish companies during his 4 years living in Shanghai; Lasse Christian Buchert, Trader at Flow Traders, who has both study and working experiences in China for 3 years; and Martin Pedersen, Project Manager at Innovation Centre Denmark in China.

The interviews lasted 27, 31, 15, 20 and 40 minutes respectively. One interview was conducted in Mandarin Chinese, since this was the language the interviewee felt the most comfortable using. The rest were conducted in English. All interviewees gave permission to record and transcribe. Statements in Mandarin Chinese have been freely translated to English.

I attempted to interview 10 interviewees for this thesis, together with the other materials and sources. However, only 5 responded in the end. The other five interviewees working in government organization and the tourism industry. It has been difficult to reach some of the Chinese authorities, for example, the Chinese Embassy in Denmark. If I managed to reach the Chinese Embassy in Denmark, I could have able to get their perspective if there are barriers for the Chinese companies entering Danish market when they planned to set up innovation projects in Denmark. Moreover, I have also contacted Susanne Hyldelund, who is now Under-Secretary for the Trade Council at Ministry of Foreign Affairs of Denmark and used to be the Consul General at the Danish Consulate in Shanghai. But unfortunately, due to her busy schedule, the interview could not happen. If I managed to interview her, I could have able to gain a valuable opinion from a politician, who has been worked in China and Denmark, and with a knowledge about both China and Denmark. The remaining three interviewees that I contacted were Chinese people from the tourism industry, who could have provided additional information about how technology is impacting their industry. Unfortunately, it was not possible to conduct these interviews.

6 Literature review

The purpose of the literature review is to identify the elements that determines how disruptive
technology affects an industry. Once these elements are identified and set up in a framework, it will be possible to analyze how China have reacted to disruptive technologies in the past, through the lens of the framework, and thus also predict how it will likely react going forward.

The literature review thus serves a critical part of this thesis, and as an overview of existing theories, and seeks to create the theoretical framework for the analysis. Before building the framework, though, I will discuss and define disruption in general.

6.1 Disruption

Researchers have found out that the Internet influenced consumer’s behaviour in many ways, and that it helps the customers in developing countries like China to have more choices while purchasing (Li & Buhalis, 2005). At a time when the whole tourism industry is facing increasingly larger disruptions, tourism is experiencing unprecedented challenges. Instead of booking hotels when tourists travel, more and more people choose to live in accommodation with Airbnb. Similarly, Uber is chosen over taxis, GoMore over trains, and even TripAdvisor over traditional travel agents and tour guides. However, surprising little (given the abovementioned focus) is written about how new technologies is disrupting tourism in China.

Christensen (1997) describes disruption as a process whereby a new product or service with fewer resources is able to move upmarket, challenge established business, and eventually displacing the big players. It is described by Christensen et al. (2015), who originally coined the term “disruptive innovation”, that disruptive innovation occurs in special cases. Specifically, disruptive innovation is defined as innovations that focuses on what established companies sees as an insignificant market, but what later becomes important. The best example is likely Kodak and the digital camera: In the beginning, the digital camera (which was in fact invented by Kodak) was such a small business opportunity that Kodak did not invest in it (Financial Review, 2015). Later, when the market for digital photography grew, Kodak was already behind the learning curve, and ultimately went bankrupt.

Before digging deeper into disruptions in tourism, a discourse of whether Uber accounts as disruptive innovation shall be discussed, since this is one of the most debated topics within disruption. According to the original definition, Uber does not qualify in any characteristic of a disruptive innovation. First of all, Uber did not arise from a low-end market or a new market since the taxi business is always there (Uber started with Uber Black, a service for high-end limousine driving). Additionally, Uber’s target group were initially those who have habit in using riding service. It is why Christensen et al. (2015) claim that Uber does not fit in this definition of disruptive innovation. Secondly, as a disruptive innovation, it does not get access to its mainstream customer until it catches up on with the standard quality. In another word, customers would only choose a new product or a service if the qualification, otherwise they would not choose it just because it’s less expensive compare to the existing product. Uber as a “sustaining innovation” (Christensen, Raynor,
McDonald, 2015, p. 47), is seen as a better product from customer’s point of view. Moreover, Uber started its business on a service platform, it sells product and service to a high-end client, their most profitable customers.

However, many different voices have challenged Christensen’s recent view on how to define disruptive innovation and if Uber is a disruption (Winfield, 2014; Moazed & Johnson, 2016). On the one hand, Uber as a platform business, started with higher prices and uncured issues in many ways. While with the development of the acceptance of the society, Uber grows fast in many countries and cities. By the end of year 2016, Uber has managed enter 60 cities in China (Uber, 2016b). “Uber was able to move upstream to attack taxi directly”, says Moazed and Johnson (2016), who argues Uber is exactly an example of low-end market disruption. On the other hand, Uber allows drivers who have a car for hire opening a new market of supply which also lead to a new market of demand. Furthermore, as more and more people use Uber to hire and get hired, Uber market grows fast. Regulations are being formed, prices are going down, services are provided in a higher level. Those are all what a disruptive innovation are processed.

6.1.1 Sharing economy

The sharing economy will also be described from a theoretical point of view, since this will be a part of the analysis later on. The term “Sharing Economy” was coined by Felson & Spaeth (1978), and is an umbrella term with a range of meanings, often used to describe economic and social activity involving online transactions. Lessig (2008) mentions it a “collaborative consumption made by the activities of sharing, exchanging, and rental of resources without owning the goods” (Lessig, 2008, p. 143). The sharing economy is seen as the most significant disrupter in travel today (Weissmann, 2015; Dredge & Gyimóthy, 2015), endorsed by Time magazine to claim it as one of the top 10 ideas that will change the world (Walsh, 2011).

The sharing economy, also known as collaborative economy, collaborative consumption and peer to peer economy, refers to “economic and social systems that enable shared access to goods, services, data and talent” (Heinrichs, 2013, p. 229), and has been widely discussed and used in different concepts (e.g. (Dredge & Gyimóthy, 2015)). Nonetheless, they all have one thing in common, which is that action happen through a specific platform (Felson & Spaeth, 1978; Botsman & Rogers, 2011; P2P Foundation, 2012; Lessig, 2008).

The sharing economy is the outcome of technology, based on using and sharing products and services among business-to-business (B2B), business-to-consumer (B2C) and consumer-to-consumer (C2C) (Thomas & Alt, 2016). However, the sharing economy has existed probably as long as humanity, but in its modern sense, it is enabled by technology to reach a much broader scale and scope than any time in history (Botsman & Rogers, 2011; Belk, 2014b). This includes the rapid spread of technologies such as the Internet and smartphones.
The services cover many fields: A survey among American consumers indicates that “Sharing Economy in the travel sector, car sharing, finance, staffing, as well as music and video streaming is going to increase its revenues” (Bothun, et al., 2015, p. 14).

The sharing economy is gradually entering into people's daily life, from Uber to Landshare, objects and space seems to become available to share as long as there are needs. Botsman and Rogers (2011) claim that the sharing economy is a collaborative lifestyle parallel to product service system and redistribution market. Puschmann and Alt (2016) conclude that the changes for consumer’s behaviour, the combination of social network with electronic markets and the access to mobility devices are responsible for the development of sharing economy.

Based on its characteristic of convenience and lower prices, the sharing economy has established its own position in the tourism market. Tourists go for staying in a sharing room instead of booking a hotel room, which would largely cut off the hotel business globally. To the same extent, local taxi or other transportation businesses are also influenced by the growing car-sharing context.

Meanwhile, with the rise of sharing economy, the discourses of it within tourism have been brought up by many researchers. Hacker and Pierson (2011) believe that it is the decrease of the income from middle class that caused the rise of the sharing business model even though people started to share long time ago. However, the development of IT technologies makes sharing happen instantly and without much incurred costs, and allow people to communicate through online platforms in different ways (Roblek, Štok, & Meško, 2016).

In tourism, it is recognized by Gretzel et al. (2015) that the sharing economy has several functions, sharing of knowledge, sharing of views on certain services and sharing of a potential attraction. There is however, more perspectives than just sharing new socio-demographic factor which enable the new generation, eager to express their feeling and sharing their knowledge. Also, it is a chance of saving money. Additionally, statistics shows a trend that elderly people is joining in this this. Secondly, Roblek et al. (2016) suggest that the innovation of ICT is also a factor to change the consumer behaviour where the platforms not just make the booking process easier but cheaper. Thirdly, the progress of global urbanization stimulates the overall sharing economy business. It is said that the increasing global urban households is why Airbnb become a substitute of hotels and Uber an alternative of taxi in some relatively developed market (Euromonitor International, 2014).

Technological developments are challenging the tourism industry. “Technology has shifted the balance of power between business and customer across the travel industry, with access to honest and up-to-date reviews and recommendations an essential element of holiday planning” (World Travel & Tourism Council, 2015).

The rapid diffusion of the Internet of Things (IoT) allows tourists to have more choices pre-, post- and during trip. The use of smartphones could save time and energy and thus increase the efficiency, e.g.
through remote check in, boarding, maps, GPS, locate restaurants and attractions, mobile wallets, even taking photos. A smartphone covers all a tourist needed for the trip (World Travel & Tourism Council, 2015).

DMOs realize that platform disruption as a channel also is an advertising tool due to the big amounts of users. Among all the DMOs, hotel industry actors like Starwood Hotels & Resort has post advertisements on Snapchat to develop its potential Starwood Preferred loyalty customers (Skift, 2017).

While the Internet has opened a new world in sharing, Belk (2014a) points out there is a phenomenon “whereby commodity exchange and potential exploitation of consumer co-creators present themselves in the guise of sharing (Belk, 2014a, p. 7). This so called “sharing economy” is “pseudo-sharing, a wolf-in-sheep’s clothing” (Belk, 2014a, p. 7). As such, the discussion concerns whether the sharing economy is actually sharing, or if it is just a new business model. There are also other critical notions of the sharing economy: For instance, the sharing economy as a platform where many people could benefit by leasing a room or a ride, can also be seen as a threat to the society, according to Cagle (2014). From her point of view, the sharing economy is “disaster capitalism”, as “sharing and homesteading are things poor people have been doing forever out of necessity” (Cagle, 2014). Additionally, Cagle argues that the sharing economy makes the big player make huge profits but destroy jobs which makes the poor poorer.

6.1.2 Macro-implications of disruption

Statistics shows that disruption has become the catalyst for opportunities as technology develops (Kafatos, 2016). It took 6 months for Instagram to reach 50 million users compare that to the 4 years it took for Internet to reach 50 million people, and the 38 years for radio to reach 50 million people, technology, especially the use of mobile is growing fast (Leger, 2013). From 1980s to 2000s, the development in telecommunication technologies and its associations has increased 275% in a global level (Buhalis & Law, 2008).

![Diagram showing time to reach 50 million users](from Leger, 2013)

While look at the revenue by category from Apple, the percentage of IPhone and IPad has increased rapidly since 2007, the combination of IPhone and IPad has generated more than 70% among the total revenue in 2015 (Kafatos, 2016). Digital has disrupted the consumer path to purchase and
democratized the way consumers shop in many ways, including travel.

In a Deloitte survey (2015) of 40,000 respondents, the conclusions were that 1) there is a rise of empowered consumers who are better informed about tourism. Due to the development of ICTs and rapid expansion of the Internet, tourists are becoming knowledgeable and seeking more options in saving time and money (Buhalis & Law, 2008). 2) The Internet has changed tourism behaviour dramatically (Mills & Law, 2004), most consumers reply on multiple channels and devices before and during the trips, yet more than half of the respondents intend to compare prices online since price is the primary driver in decision-making for a trip. 3) Customer reviews on diverse social media platforms have played a crucial role for the consumers during the process of decision-making. More than 40% of the respondents signify the importance of using the review websites and the comments from the other users. Those who have influenced by the reviews on the social media will probably share their own experience after the trip, based on the figures (Deloitte, 2015). “Every consumer is a potential evangelist or critic” (Kafatos, 2016, p. 9), it is therefore, consumer’s influence will increase as they are impacting each other. Prospective travellers are therefore get directly access to such advantageous information provided by stakeholders within tourism industry, sometimes a traveller, sometimes a DMO. Moreover, the direct interact with a supplier allows a consumer to customize their own products (Buhalis & Law, 2008). Kafatos (2016) also mentions that a fragmentation within the digital channel would lead to a disruptive challenge as new devices replacing consumer’s purchasing process.

Accordingly, tourism organizations, especially the companies need to transform the business model to fit for the consumer perspective to keep pace with the ongoing development. In one word, travel has changes it position from a seller’s to a buyer’s market.

A report from PricewaterhouseCoopers (PwC) (2015) shows that 80% of the companies claims that increasing competition and changing consumer behaviours are the most concerned issues while discussing disruptions trends. China’s businesses are aware that when the market is impacted by the disruptions, it also brings opportunities. The local Uber, “Didi”, with door-to-door service at a competitive price no doubt gives the traditional taxi business a hard hit. The new Mobike in China as well becomes a new trend that makes riding bicycles anytime and anywhere comes true.

Plenty scholars believe that the arising technology enables boosting productivity and growth (Romer, 1990; Minghetti & Buhalis, 2010), technology benefit in reducing the production cost, and widening the access to information for consumers while making decisions. Additionally, Buhalis and Law (2008) point out that technology enables to provide quality product at a competitive price. Survey verified the suppositions of positive contribution to productively growth as of personal computer in service industries. There is a strong connection between technology and productivity (Lehr & Lichtenberg, 1999; O’Mahony & Vecchi, 2005).
Furthermore, it has been discussed in various literatures that how technology has fostered economic development. Theories have shown the positive economic performance generated by the developing telecommunication infrastructures from times to times, moreover, have improved the productive efficiency and caused a positive impact on GDP as for a country (Hardy, 1980; Madden & Savage, 1998; Roller & Waverman, 2001; Thompson & Garbacz, 2007).

6.1.3 Micro-implications of disruption

Based on a report (McCauley & Morgan, 2016), most companies take disruption as threats rather than opportunities and that they are being reactive while it comes to a disruption. However, 60% of the companies and organizations are investing financially in their disruption strategy to meet up the market (McCauley & Morgan, 2016). The reason why companies are often that pessimistic regarding disruption might be that it is very difficult for mature companies to deal with.

Existing, mature companies having the largest R&D budgets, and often the best-qualified research people, but they still face many challenges when they want to innovate. This is especially evident when they want to engage in disruptive innovations as opposed to sustaining innovations (Christensen C., 1997).

For existing, mature firms, the first problem is that they are not aware of the emerging competition before it is too late. “Assessing the current tactical advantages of known competitors will not help you understand the resolution, stamina or inventiveness of potential competitors” (Hamel & Prahalad, 2005, p. 150). According to Hamel & Prahalad (2005), the threat of these existing, mature firms are more of those low-cost manufactures with “strategic intent”, rather than their traditional competitors. Hamel and Prahalad (2005) state that strategic intent requires a “sizable stretch for an organization” and that “current capabilities and resources will not suffice”. Using the terminology of Burgelman and Doz (2001), disruptive companies are expanding their reach by adding values of strategic capabilities to their organizations. It had not changed so much today, those low-cost manufactures, startups, suddenly becoming a dangerous competitor that CEOs has put them on top of their agenda today. These startups are also adding new capabilities at a rapid pace, forcing mature companies to do the same.

Christensen et al. (2008) claim that “the base case of not investing in the innovation – the do-nothing scenario against which cash flows from the innovation are compared – is that the present health of the company will persist indefinitely into the future if the investment is not made” (Christensen, Kaufman, & Shih, 2008, p. 100). They believe that existing, mature companies will not be able to get started with investing in innovation if they cannot see these emerging competition. Christensen et al. (2008) argue that financial tools incl. the use of net present value as a decision gate for project investment, prevent corporations from investing in innovation, for the exact reason of not seeing emerging competition. As these tools want more of the same, and are used by most big corporations, they are
termed “innovation killers” by the authors.

Mature firms must be able to aware the existence of the emerging competition, since it is the chance to change the business model and capabilities where made their company big in the first place.

One example of this is in the database industry, where Oracle (the database provider) did not see MySQL (another database provider) as a new competitor, until very late, and claimed that “they are a complement, not a competitor, to Oracle’s Database” (Wittig, Inkinen, & Burgelman, 2004, p. 293). They even claimed that “MySQL is a decade or more behind Oracle” (Wittig, Inkinen, & Burgelman, 2004, p. 293). Even after MySQL launched its cluster solution with features targeted at large corporations, Oracle was continuously criticizing the lower technical functionality of MySQL. Nonetheless, MySQL’s product became a big threat to IBM and Oracle (Wittig, Inkinen, & Burgelman, 2004).

While some of the companies face the threats by not reaching far enough in terms of strategic integration, others might face an issue of reaching too far, and thus becoming spread too thin. This is because companies must focus on core competencies Prahalad and Hamel (1990). Competencies need investment to grow and develop. By reaching too far, and investing too broad in too many ventures, resources will be split over capabilities, some of which will end up being valueless.

Companies often need to balance between having to invest in new capabilities to not be disrupted by emerging companies, and having to focus on selected core competences to not be spread too thin. And comes up a question: Which capabilities and technologies to invest in? This is indeed a hard question. Danneels (2004) states that there is no proven way to make predictions about where to invest.

One way to do it could be Lead User Research. Lead user research allows companies “provides a means of accurately tapping the expertise and experience base of lead users” and allows “new product development to arise from a sensitive understanding of product features that, ideally, will matter most to customers several years later” (Thomke & Nimgade, 1998, p. 804). Valuable insights can be gained from lead user research, as companies need to start investing in new technologies, even before these are demanded by the main customers. This is clearly what managers would need in order to determine what areas and technologies to invest in, and where to stay away. Lead user studies include deep, qualitative research of customer trends through interviews, workshops, reading unpublished literature, etc.

6.2 A framework for understanding what determines the impact of disruptive technologies on an industry

In this part, I introduce the conceptual framework I will use to analyze the impact of disruptive technologies on an industry. I have developed the framework myself, based on the literature review that follows.
I am aware that these 8 different elements are overlapping, people & talents are the foundations of the innovation; demand & preferences are sometimes the reason an industry ready for disruption. They are very intimately with each other, However, I cannot separate them since we have overlap all the time and the world is complex itself.

Framework for my theoretical chapter and analysis later on

**Demand for disruptive technologies, incl. economic power**

The literature suggest that the economic power of a nation is one of the most critical sources of its innovation, and thus also disruptiveness. The evolving ICT enlarge user’s experience while booking trips, while also improving a higher service quality to satisfy the customers (O’Connor, 1999). Lacking personal service, experience and security issues have been recognized as big barriers when the online shopping started decades ago (Wolfe, Hsu, & Kang, 2004).

Biederman (2014) suggests that it is a good way to look for any possibilities that the market could be disrupted by examining the market.

**Law & regulation**

Customers seem to be quite acceptable in terms of digital disruptions and companies are also aware of the potential of these new technologies. It is therefore important of government come up with supportive policies in creating future digital environment (Li & Robinson, 2015).
Governmental regulations and laws are seen as the main drivers in a market (Huesig, Timar, & Doblinge, 2014). Anthony et al. (2002) find out that the governmental regulation could work as a positive way by influencing companies’ motivation as well as the ability of entrants and incumbents. Additionally, government policy would be effective at encouraging innovation, stimulating innovation in certain industry.

Anthony et al. (2002) indicate that regulators usually control the market and to influence the price by applying policy mechanism or stimulating disruptive innovation. However, it also comes along with a side effect of discouraging the disruptive technologies to generate success lower cost business models.

**Venture capital**

Technology innovation has been recognized as a costly activity, yet a key to a sustainable firm (Hall & Martin, 2005). Most disruptive companies are startups, since they have new business models. These startups most often need venture capital to grow and to finance the disruption itself.

Companies are fearing disruptions, and the wait-and-see approach seem fatal while comes to the rapid changes. However, companies sometimes adopt the model of partnership and collaborating with these young disruptors as a formal corporate venturing program, in order not to get knocked out of the market (McCauley & Morgan, 2016). These partnerships can serve as a source of capital, and is thus also regarded under this category.

**Innovativeness (R&D)**

Digital disruption is now everywhere. A report from IMD, the business school, and Cisco, the telecommunications company, indicates that “digital disruption has the potential to overturn incumbents and reshape markets faster than perhaps any force in history” (Bradley, Loucks, Macaulay, Noronha, & Wade, 2015, p. 1). A number of executives that the report studied believe that the digital disruption has materially raises the risk of being abandoned, especially in industries like hospitality, retail, media & entertainment and financial services. It can be also be seen in the increasing demand of services such as mobile banks and online shops. Additionally, figures show that 45% of executives say digital disruption will not to be a concern, and only 25% of the total are actively responding with their own business (Bradley, Loucks, Macaulay, Noronha, & Wade, 2015, p. 6).

The IoT is growing rapidly, and is expected to reach 34 billion devices connected to the Internet by year 2020. This drives companies to expand the offerings in both software and hardware (Camhi, 2015).

Anthony et al. claim that disruption is an important force of innovation that could “increases in consumer welfare by radically lowering the prices in an industry and introducing new levels of convenience” (Anthony, Roth, & Christensen, 2002, p. 15).
Specific characteristic of industries ripe for disruption

Williams (2011b) claims that “hypotheses feed observations, observations feed insights, insights feed opportunities”. Innovation starts with disruptive hypotheses (Williams, 2011a), however, innovation itself is not the most important attribute, for a company, not aware of what customers really want is (Williams, 2011b). Being a disruptive product requires a company to focus on the critical details that the competitors are overlooked, customer insight could be one of the details to start with. To look through the customers’ eye and to understand what do they want as a measurement for company if they are looking for some improvements (Biederman, 2014).

Firstly, Williams (2011b) states that companies are usually looking for “pain points” rather than “tension points” since businessman are used to solve the problems that won’t works, yet “tension points”, those not big enough things to be considered are what it matters. Nonetheless, William (2011c) advises that “tension points” are much more likely to ripe for disruption in a market instead of massive “pain points”. This relates to Christensen et al. (2015), since “pain points” usually would be the problems even the established companies would solve, whereas “tension points” might be too irrelevant for large established companies to solve.

Secondly, “people’s value plays an important role in their motivation” in terms of accepting the new technologies, says William (2011c), the author of “Disrupt: think the unthinkable to spark transformation in your business”. William (2011c) believes that a “good-enough” product is what the consumer looking for, having it here is much important than having it perfect. Knowing what’s important to the consumers, knowing what do they value on a product is what a company should work for.

Thirdly, Williams (2011a) believes that that the more established customer’s habits, the less motivated they are to change and consider an alternative. Williams took banking industry as an example, and argues that people are usually stay where they are instead of switching to another bank even though they aren’t satisfied with the current services. There is plenty of procedures to handle once they need to open a new account in a new bank. A disruptive product is therefore needed to break through the current market and to create conveniences to the customers.

Lastly, to weigh up between “should have” and “want to have”, Williams (2011c) also has his points of view. Williams argues that consumers are often stuck in the circle with the things they eager to have and the things good for them in a long run. He claims such circumstance creates for a business opportunity of bundling the two.

Market complacency is also seen as a crucial characteristic of an industry ripe for disruption (Johansson, 2017). Cable providers have been active in the industry for many years. Nevertheless, in recent years, Netflix and HBO continuous stands out as disruptive services challenging the traditional
cable service in market. Cable industry is seen become complacent and its way too simple service could not pace with other standalone streaming disruptor services.

Biederman (2014) believes that companies with few elements are easier to become a disruptor in an industry. Small startups have freedom to innovate rapidly, according to Biederman (2014), startups are more able to change the approach to adapt to the market and segments flexibly.

Conclusively, it can be stated that industries ripe for disruption are those that do not view the world through the eyes of their customers, and the not solve the tension points. This can be because the companies underestimate their customers, or because they are holding on to wrong assumptions. Lastly, it can be because the companies are simply earning too much money in status quo, which also lead to the next discussion of values.

**Values**

Christensen and Overdorf (2000) use a very specific definition of values: The metrics and measurements companies use to determine which projects will get funded and which will not. “The innovators dilemma” a phrase coined by the same Christensen regards companies which cannot invest in new ventures because of their values, and thus, one day see themselves disrupted by new technologies they once deemed too unattractive. Christensen and Overdorf (2000) explain that values are heavily dependent on what returns on investments are required by a company to be considered attractive. Furthermore, the values are based on financial tools (e.g. Return on Investment), which Christensen claim are biased towards preferring safer bets than immature technologies. Since the values are usually correlated to company size, large companies find it harder to invest in small markets or technologies. Once these technologies develop, however, they might be disruptive because the mature companies are now too far behind on the learning curve.

For instance, Biggadike’s research (1979) “found that it takes on average about eight years for a venture to reach profitability, and about ten to twelve years before its ROI equals that on mainstream business activities” (Biggadike, 1979, p. 5). It is not hard to understand why mature companies with mature sets of values find it hard to invest in this.

An example of the importance of values is Kodak and the digital camera, as also mentioned earlier: The digital camera was simply a too poor investment opportunity (through the lens of Kodak’s values) at the time, so Kodak did not bother to invest in it (Mui, 2012). As we know, however, digital imaging improved fast, and became cheaper, but since Kodak had not invested in it, they were already behind their competitors such as Canon.

As has been said, “digital disruption has various effects on companies and products, but awareness is ultimately the key to implementing successful strategies” (Working Capital Review, 2016).

**People & talent**
People and talent have a huge impact on the innovativeness of an organization (Ismail, Malone, & Geest, 2014). It is the people who initially come up with new ideas and implement them into new business models. Critical factors include education level, experience, incentives, and organizational setup. From an overall perspective, people and talent therefore also influence disruption in an overall market.

The influence is twofold: Firstly, if there are high quality people and talent, then can help new companies disrupt existing industries. On the other hand, high quality people and talent can also help mature companies continuously develop, and thus avoid disruption (Ismail, Malone, & Geest, 2014).

Therefore, on the aggregate, it is safe to say that people and talent influence the chances of disruption, but it is hard to say if the influence is positive or negative.

**Lobbyism & political forces**

We have already explored how law, regulation and government have a big influence on disruption in a nation. Therefore, lobbyism and other political forces, which influence legislation, also have a big impact.

This could be mature corporations’ lobby effort to protect industries against disruptive startups. For example, taxi companies in many countries have shared lobby organizations which try to influence politicians to legislate against disruptive organizations such as Uber. Another example is how established car manufactures in the USA have influence politicians in certain states to prohibit car dealership if the scale was not big enough, effectively prohibiting Tesla from selling their vehicles.

However, political forces can also be other than mature companies’ lobby efforts. For instance, in some countries it could be political ties of individuals, or it could be NGOs or consumer organizations demanding certain legislation. If powerful enough, these also have the ability to influence disruption in a market or industry.

7 Analyzing disruption in tourism

In this part, I will use the conceptual framework to discuss how disruptive technologies, have and will be disrupting the tourism industry in general. It will do so by using the example of “the sharing economy”, which is a product of our times (Belk, 2014b).

7.1 Analyzing the sharing economy’s impact on the tourism industry using the conceptual framework, as an example of how the framework works

**Demand & preferences**

For tourism organization itself, response behaviour becomes a critical criterion while making the service, especially for the semi tourism enterprises (Pechlaner, Rienzner, Matzler, & Osti, 2002).
Therefore, when trying to evaluate whether demand, preferences and economics affect disruption through the sharing economy, we can look at how Uber has spread over the world: A list of 81 active countries and 581 cities, Uber has a big base of users with high acquiring every day (Uber, 2017a). As can be seen from the map, Uber is present in most of the world, but notably not in many countries in Africa and the Middle East, which presumably do not have the economic demand as other countries do. It can therefore be inferred, that demand and preferences are important for Uber when they choose their markets to disrupt.

(Uber, 2017a)

If we look at Airbnb, certain countries have high demands: the United States, France and Italy has been listed as the top 3 countries that the apartment unites covers more than 40% of all Airbnb rooms total listings in year 2016; However, the bottom 3 countries includes Sahrwai Arab Democratic Republic, St. Helena and Turkmenistan only own 3 Airbnb rooms overall (AllTheRooms, 2016).

Again, the demand determines the revenue of the disruptive companies in the destination, and show where disruption have the largest impact.

**Law & regulation**

Uber and Airbnb are also good examples that the law and regulation are powerful forces determining the impact of disruption on an industry. For instance, Uber has been made illegal in Denmark, Brazil, Japan, and Korea (Khosla, 2015; Che, 2015), and Airbnb is illegal or restricted in cities such as Singapore, Berlin, and New York (Morris, 2016; Tun, 2015).

**Venture capital**

Access to venture capital is critical for disruption because most disruption come from new companies without sufficient cash flow to finance their own investments. This is also the case in the sharing
Companies like Uber, Airbnb, and Lyft have received $15 billion, $5 billion, and $3 billion in venture capital funding (TNW, 2017), highlighting just how important financing is for a company to be disruptive. Neither of these companies is currently profitable, so the numbers are likely to increase over the next years.

**Innovativeness (R&D)**

By definition, disruption requires innovativeness. And innovativeness usually also requires research and development (as described above under venture capital). This is also the case in the sharing economy, where the most prominent players (again Uber, Airbnb, Lyft) are technology players, who are constantly updating their products and services with new innovative features and capabilities.

**Specific characteristic of industries ripe for disruption**

To briefly summarize, the specific characteristics of industries ripe for disruption mainly concern established players lack of ability to adapt to customer demand and solve the tension points (as has already been discussed). If we look at the hospitality industry, there was a clear demand among customers for cheaper, and more local hospitality. Tourists wanted to live like locals, and not in sterilized and international hotel chains, “without the soul of the city”. Hotels might have seen this demand, but they did not react. Therefore, there was a tension point not solved.

Airbnb took care of the tension point by letting people live in homes of the locals. At the same time, this was a cheaper solution for the tourists, and locals could earn money either if they had a spare room or if they were on vacation themselves. In this way, the Airbnb platform solved tension points for all involved part, only at the expense of the mature hotel industry.

**Values**

Explaining why the established hotel industry did not solve the problems that Airbnb solved, we can turn to values. As explained in the theoretical chapter, Christensen (2000) describes values as the metrics companies use to evaluate new business opportunities. If we consider the opportunity from hotels’ point of view, they basically had two options to solve the tension point: They could either build and rent out more local-feel housing, or they could use their own booking platforms to let local people rent out their own apartments (just like Airbnb ended up doing).

When we look at the first option, it is clear that building local-feel housing is much more expensive than hotels, since you do not get the same scale as you do with hotels. At the same time, the hotels would likely not be able to charge as much for the accommodation, since the regular hotel services would not be part of the package (room service, cleaning, etc.). With option one, hotels would therefore be facing costly investments and smaller margins, and it is therefore easy to understand, for a return on investment point of view, why they did not do that.

The other option, of basically teaming up with locals and renting out local homes seem also like a bad
business opportunity on the surface: The hotels would have to hand over most of the revenue to the home owners, and only keep a small part for themselves. They would therefore have built a low margin alternative to their own business. Again, with regular business metrics, this also seems like a bad idea.

However, Airbnb has another set of values. They did not have expensive assets on their balance sheet, and would not see any other business being cannibalized by the new initiative. The return on investment for Airbnb therefore was much better.

Using this simple theory of values, it is therefore easy to explain why the hotel industry could not disrupt itself, and why a startup had to do it. In retrospect, of course, hotels should have developed the platform themselves, as it turned out, that their revenue streams were not safe in the old business model. What they thought would be cannibalization of their own business would in fact just have been protection of it from a new, Silicon Valley based startup.

People & talent

People and talent are important for the reason that it is ultimately the people who come up with new ideas for disruption. If we look at LinkedIn’s most recent list of companies where most people want to work, Uber is one of them (Burgess W., 2017). The fact that Uber can attract great people is, at least according the theories discussed earlier, an important part of developing disruptive technologies. The top employers on LinkedIn’s list are often tech companies, which states something about where people want to work these days: In companies that are on the forefront of development. That means, that more and more industries can expect to be disrupted, since talent no longer seek towards the traditional industries, but now increasingly towards technology companies.

Lobbyism & political forces

As discussed earlier, large sharing economy companies like Uber and Airbnb is facing tough restrictions in many countries, and thus, it is also clear that political forces are important when considering the disruptive impact on an industry. For instance, in Denmark, an organization of the Danish taxi companies long fought against Uber, and demanded it to be illegal (Lomas, 2017). They did so through direct lobbyism with the politicians, but also through marketing campaigns towards the general public, highlighting how e.g. Uber drivers might not pay tax on their income. As it turned out, the taxi companies were successful, and the new Danish law made it so difficult for Uber to operate, that it decided to stop its Danish business.

8 Analyzing disruptions in China

China is transferring its market position from a manufacturer for the world to an innovator (Fischer & Simon, 2016). For some Western countries, China is competing on cost, wining in the game by offering a cheaper price and cheaper labour. However, China is slowly becoming a leader of
technology innovation; for instance, it is the second-largest country in investing Research & Development in the world (Fischer & Simon, 2016). It seems like the outside world have in some instances been too harsh on China, taking it as a copycat for decades while ignoring China’s ability in adapting and improving the existing model to its own business environment (Rein, 2014).

8.1 Using the framework to analyze technology disruptions in China in general

In this part, the thesis will analyze how the eight aspects of the framework determine disruption in China. Thus, it will not look at the tourism industry specifically, but instead broadly at China and how it is different from the West.

**Demand & preferences**

Demand and preferences is one of the most important drivers of disruption. Without the demand, the business case for a certain innovation will never be promising. In order for demand to be there, there must be a supportive underlying economy.

“If you have a strong economy, you usually also have a lot of money to invest in developing technologies. These technologies are very expensive to develop.” (Daniel, Appendix 3, p. 16)

China have had a strong foundation and demand for mobile-based services, due to its smartphone penetration. According to Lasse (Appendix 5), the demand foundation for online platforms is big caused by the computer and smartphone penetration:

“The impression I got from China is that the people have computers as well, but the smartphones penetration is just incredible. We are not just talking about young people, we are talking about poor farmers in the countryside. […] The grandparents, everybody has a smartphone.” (Lasse, Appendix 5, p. 29)

As Lasse (Appendix 5) mentions, the high penetration of smartphones impressed him during his stays in China. Not just the young people, but also the elderly users that gave him a full picture of the high demand of the technologies in China. However, it is not enough to look at only the quantity of demand, since the preferences are also important to consider. This is exemplified through Daniel’s explanation:

“I think the Chinese demand is much different from that in the West, which means that it’s difficult just to take one product that works in the West and apply it in China. […] For instance, with Uber, which had a project that works pretty well in the West, but when they came to China, they were already too late and Chinese didn’t want to use this product and they didn’t see good value in it. So, Uber had to give a lot of discount and basically take a lot of losses in China and go into price competition with the existing players.” (Daniel, Appendix 3, p. 16)
According to Daniel (Appendix 3), there is a gap between the demand of China and of West, since they are two different markets. As the penetration of cell phones and Internet increase, the demand for digital products and services will approach those in the West. However, due to the different cultures and societal backgrounds, the overseas companies cannot just export their products and applied them into the Chinese market:

“China seem to have their own version of all these things, and then just adapt it to the Chinese requirements.” (Daniel, Appendix 3, p. 15)

As the increasing demand for online technology, the digital technologies also play a crucial role in business (Li & Robinson, 2015). While looking at the volume of China’s E-commerce transactions, the figure exceeded 13.9 trillion CNY in 2015 (Statista, 2016). A high percentage of managers from a survey claim that “technology-based productivity improvements would provide the biggest boost to their competitiveness” (Li & Robinson, 2015). One of the Chinese digital platform Qunar.com is recognized as the leader in travel industry, who is exploiting technology in running the business (Qunar, 2017). However, most companies have yet to fully utilize digital technology effectively. Based on the report from PwC (2015), only 67% of the China’s CEOs claim to have a clear vision of how digital disruption can assist in achieving competitive advantage, which is much lower than the global average and the CEOs from the US. Thus, there has a potential to grow in the future, the way business interact with consumers is also going to change.

“Online shopping is going much faster than it is in Europe. I know this from the time from the consulate as well, where there was a big focus on this and it was a big topic that they were trying to discuss how can we help Danish companies use this. So, I think online shopping or shopping on the phone is happening in a much, much faster pace.” (Lasse, Appendix 5, p. 29)

The demand for online technology has exploded, judged by the statistics from China Internet Network Information Center (CNNIC). According to CNNIC (2016), there is more than 710 million Internet users and 656 million of mobile Internet users in China. By the end of 2015, the Internet penetration reached 51.7%, and the number has kept increasing at a stable pace (CNNIC, 2016). It is worth to mention that among these users, 191 million are rural Internet users, accounting for almost 30% of the national total, even though an existing wide gap with the urban Internet users (CNNIC, 2016).

“Me now, being in Netherlands […] I don’t see people using phones all the time. [Interviewer: No.] If I go to the public park in China on a Sunday, I will see 70-year-old people sharing photos and playing apps and sending red envelopes to their other 70-year-old friends. [Interviewer: Yes, that’s interesting to see.] So, the fact that consumers in China are very accepting these new technologies, smartphones means that there is great
potential for people or a company to try to use that technology to sell products.” (Lasse, Appendix 5, p. 30)

The increasing competition and changing consumer behaviors are seen as most disruptive trends in their business, based on a survey targeted CEOs globally (PwC, 2015). These trends are especially obvious in countries like China due to the substantial progress in the past few years. As the growing economic, urbanization, social benefits and mobile technology, Chinese consumers are looking for a more customized products and services.

As mentioned earlier, China has a remarkable number of E-commerce business, traditional shopping retailers are on their way to being replaced by companies like Alibaba and Jingdong, since online shopping malls create experience (PwC, 2015).

Moreover, consumer’s awareness on protecting the environment plays a crucial role for they starting to use these disruptive products. The pollution issue in China is getting worse in recent years. Government has repeatedly declared war on it, and environmental law was released and more and more people are aware of how serious the problem is. It is therefore a sustainable path to use different sharing economies if that helps to decrease pollution. As this awareness built, disruptive products could benefit the environment would become a big motivation and then as a demand.

**Law & regulation**

Countries like China usually use various policies and regulations to balance the relationship between state interests and business interests (Yu, Zhang, & Gao, 2012). This has been very important, especially on the tech-scene, where many Western technology companies not have been allowed to market their products and services in China:

> “It’s not been easy for Western technologies to come in to China. For instance, Facebook and Google, they are basically blocked in China, so, they cannot get any market there. And that’s because of the government policies in the country. (Daniel, Appendix 3, p. 16)

> “It’s not possible for some financial service companies to come into China and disrupt the market, because market, the banking market is protected by law. […] Disruption can only happen when the Chinese government allows it to happen.” (Daniel, Appendix 3, p. 19)

There are many elements that influence a country in terms of its progress and acceptance on disruptive forces, and the law and regulation are one of those. It is agreed by both Christy (Appendix 2) and Daniel (Appendix 3) that due to some policies, it is not easy for foreign companies to enter the Chinese market, and thus cause limitation of the business. On the other hand, Chinese countries see these policies as a chance.

> “As the business expanded, the government came up with some regulations to rule the market. It is not bad, but it somehow narrow down the outside business forces come into
the Chinese market. But in another way, we, as a Chinese company could do more about it.” (Christy, Appendix 2, p. 14)

Interviewees (Christy, Appendix 2; Daniel, Appendix 3) argued that there are some difficulties when doing business in China due to regulation barriers, especially in those industries protected by the local law. However, as the government want to boost the domestic consumption, some industries are encouraged to develop.

“There is quite some evidence now that the Chinese government want a lot of disruption to happen, in E-commerce, and in everything related to consumer credits. […] They allow companies like Tencent, and Alibaba to open up banks, but they would never allow Facebook to open up a bank in China.” (Daniel, Appendix 3, p. 19)

“They want people to spend money instead of saving money, and that’s why the choose some areas where disruption is okay, and other areas where disruption is not okay.” (Daniel, Appendix 3, p. 19)

As most interviewees (Casper, Appendix 1; Christy, Appendix 2; Daniel, Appendix 3; Lasse, Appendix 5) implied, the reason that WeChat is getting popular among the Chinese and foreigners in China is because of the restriction of Facebook and its “Facebook Message” function. Therefore, in order to communicate, people who live in China have to use a localized functional software. However, it is not the only reasons that WeChat stand out in the market and that technology has gained a larger role in Chinese business.

“If we look the other way around, of course there is something are blocked in China. But you know Google, and Facebook, and Twitter and so on. But China seem to have their own version of all these things, and then just adapt it to the Chinese requirements.” (Daniel, Appendix 3, p. 15)

To boost the Chinese consumption, China allows technology companies opening up their businesses and bring along the revenue. And for the Chinese government, it is always good to have people spend money instead of saving money (Daniel, Appendix 3).

“Now as the government is allowing some of these technology companies to influence more and more of other areas of the economy, including banking. Then technology is becoming more and more important.” (Daniel, Appendix 3, p. 20)

Not just countries like China set up barriers that makes foreign company difficult to survive: In the case of Uber, the Danish law as well set up to protect its local taxi business. Airbnb is also challenged by the government in Denmark.

“And now I know that the Mayor of Copenhagen is also looking into Airbnb, he wants less Airbnb because he thinks it destroys the…” [Interviewer: The local hotel business,
hospitality industry? Yea… yea, maybe the hospitality industry, but also just he thinks it forces up the price of the apartment, so that the normal people cannot afford an apartment, anymore. So, if he can makes some ruling about Airbnb, then of course that’s also going to impact their abilities to conduct business.” (Daniel, Appendix 3, p. 19)

This thesis will not go into detailed discussion on in which way the disruption destroys the local market and local economy. As Christy (Appendix 2) and Daniel (Appendix 3) mentioned in their interviews, disruption in general will be impacted by the law and regulation. Besides that, few different reasons were proposed from the interviews to formulate a promising demand of sharing economy platforms in.

“The technology is becoming better, I think more countries are gonna do more and better regulations regarding this sharing economy platforms, so, it’s gonna be easier for them.” (Daniel, Appendix 3, p. 20)

First of all, Daniel (Appendix 3) suggests a better regulation environment would somehow stimulates the progress of the sharing economy development. Only when the foundation is built would companies be willing to invest in disruptions.

“Because of the supportive law and regulations, consumers are more relying on the mobile technology like AliPay. People, especially the young generations now would prefer more to do finance over the mobile, through these apps over the traditional banks. I totally agree.” (Christy, Appendix 2, p. 11)

Secondly, based on a reliable law and regulations, consumers are more willing to use these disruptive products even though they look different from what they are used to have. Consumers are not willing to take risks if they find out the disruptive products or services is going to threaten their healthy and savings.

“Also because of the environment is gonna be more and more important, so every time you can share one resource, of course that’s much better for the environment. So, if more people can share the same home through Airbnb, that’s better than building new hotels, or if more people can share cars through Uber, that’s better than building more taxies, and bike, and so on.” (Daniel, Appendix 3, p. 20)

**Venture capital**

Venture capital allows companies working on innovation to raise enough money to cover the often very expensive development costs. Venture capital creates an environment and allows company to invent disruptive products and services.
“There is a very strong private venture capitals scene in China […] Much stronger than in Denmark, but probably not as strong as in the US.” (Daniel, Appendix 3, p. 18)

This relatively closed financial system in China provides an environment for the startups and company who have disruptive products. Investments in some financial products like venture capital could be a good option for private savers if they want a good return on their savings. According to Daniel (Appendix 3), Chinese investors don’t have a lot of choices and invest in Chinese products might be their only option.

“We have to consider that in China, the financial system is not open, that means, people cannot just easily move their money outside of the country. So, that means, when some people have saved money, they cannot put it into stocks in… for instance, they cannot buy stocks in Apple, because Apple is listed in the US. And Chinese can only invest in things that are in China.” (Daniel, Appendix 3, p. 18)

Daniel (Appendix 3) states that there are a lot of savers indirectly investing in startups in China. Besides that, he claims that big amount of money was thrown into hot industries like robotics and Industry 4.0 each year. The reason why venture capital is a big thing in China is because of its relatively closed financial system.

When asked about whether venture capital is more accessible in China than in the West, Martin (Appendix 4) answers that it depends on whether you are connected or not:

“No, I don’t think so. In China, you need to have a lot of connections in order to get venture capital, but in Denmark, it’s more like a free market. [Interviewer: But why is it like that? Is it because of the political system?] Yea, I think that’s the reason. In China, I mean you need to know some people who have political power to be able to get money. [Interviewer: I see. But then in Demark, if you have a good product, a good service, then it will be much easier to get funded by venture capital?] Of course, it’s not easier, but it does not depend on what family you come from.” (Martin, Appendix 4, p. 26)

No matter what, venture capital like an entrance ticket to the company who has an idea of providing a product would be able to disruptive the incumbents.

“For instance, Uber is taking massive billion dollars’ losses every year, so it’s very expensive, so you need to have a lot of investors to put money into this. Besides from that, of course if you have a strong economy, there is more demand from the consumers. And many of these technologies depend on advertising, so if you have a strong economy, there is also more advertising money, and then it’s easier for these kinds of products to work.” (Daniel, Appendix 3, p. 16)

For the company to be attractive for the venture capitalists, they need to be able to offer good returns:
“I am guessing most investments if... are expecting high return and you are then more likely to invest them. There are certain types of businesses that are more likely to be successful in China that they are in Denmark. […] Obviously, a lot of these technologies are also likely to be successful in Europe, but there are certain products for which, there will be greater market in China.” (Lasse, Appendix 5, p. 30)

Innovativeness (R&D)

As the interviewees (Christy, Appendix 2; Daniel, Appendix 3) mentioned, technology is playing huge role in their business and business in general and it’s going to be more and more in the future.

“On top of every CEO agenda these days are the digital agenda. [Interviewer: What do you mean by that?] Every… all companies are talking about technology and digital, and there is a clear trend that this is gonna be even more so in the future.” (Daniel, Appendix 3, p. 20)

“Technology is becoming more and more important in pretty much any aspects of the business. […] Innovativeness is of course related to disruptions, as I can see, it’s basically the same thing. […] I think we will see more and more disruption, the computer is getting more and more powerful, that is one of the big drivers of disruptions and everything is getting digital. [Interviewer: And what are the challenges the business is facing caused by the technology?] I think many companies are struggling to find out how to react to this, they may don’t have a company and they don’t know how to react it. [Interviewer: I see.] So, that is one challenge. And then I think many are struggling with how to build basically small startups inside the big company.” (Martin, Appendix 4, p. 26)

It is said that technology is playing a huge role in business, and it’s going be more and more in the future. While, different people have different opinions on how to define a disruptive product or service.

Companies should always stay alert for the disruption, especially the industries not yet digital, and an example was given by Daniel (Appendix 3): Maersk Line, the world’s biggest shipping company from Denmark is now in partnership with Alibaba, the world’s biggest E-commerce platform from China, for keeping the physical transport but making the whole ecosystem around Maersk more digital. However, as can be seen from the following quote, different companies have different approaches:

“Some companies will respond by putting digital on top of their agenda, and they can do that by either investing a lot in IT systems and digital platforms. Some of the big companies are also investing in startups, to learn from the startups, or perhaps they are creating their own startups outside of their own company.” (Daniel, Appendix 3, p. 21)
Furthermore, Startups are easier to become a disruptor, even if this does not seem to make bunch of money in the first place. While once people starting to like it, there will be more people who will buy their products (Christy, Appendix 2; Daniel, Appendix 3; Martin, Appendix 4).

Cities like Beijing and Shenzhen are known as the technological areas of China. Chinese tech-companies like Huawei, Xiaomi, Tencent and Baidu etc. were born in these areas. According to the interviews (Christy, Appendix 2; Daniel, Appendix 3), startups are not afraid of failures and willing to take risks and “they are trying to go for the jackpot later on” (Daniel, Appendix 3, p. 18).

“And what happens once we have 3D printers, do they need to manufacture things in Asia, and ship to the US? Or can they just produce in the US the first place? So, shipping is, even though it’s a very traditional industry, it’s also gonna be disrupted these years. So, I think, pretty much any industry not disrupted yet should be considering this.” (Daniel, Appendix 3, p. 21)

Daniel (Appendix 3) suggests the possibility once the 3D printing skills get matured and there would be less and less requirement for the importing and exporting business, as a result, logistics industry will probably decrease as a whole.

“I guess technology has some influence, I just don’t see it as a strong…you know when I read the Danish newspaper… When I go on LinkedIn and see these weird things people put on, “Now it is happening in China”, “Now Mobike and Didi are doing these crazy things…” It’s true, but they are not actually changing that much, it’s the same, we still driving around in the same old taxies, you know. It’s just the different way using the service basically.” (Casper, Appendix 1, p. 9)

Casper (Appendix 1) recognizes China’s fast pace with developing and its “take-and-adapt” in terms of sharing economy serviced and products. However, Casper thinks the nature characteristic of taking a taxi to go from A to B hasn’t changed, no matter if it is an Uber service or a taxi service. Therefore, China in this way, is not that outstanding in technological disruption as the media says.

No matter what, technology will likely be more and more important.

**Mobile applications – an example of China’s innovativeness**

While most countries overlook the progress of China, its smart phone users’ percentage has reached 95%, most with access to the Internet, has exceed the number in United States, which is 76% (Keilmann, 2016). WeChat, is the most popular social media platform in China who has more than 700m monthly active users (Tencent Pinguin Research, 2016). It is a platform has integrated social, banking, payments, health, etc.

WeChat is a good example of innovativeness. WeChat wasn’t launched as early as other mobile apps in the global market space, which have the same functions, (Kakao Talk launched at 2010 and
WeChat launched at 2011). However, the penetration of users of WeChat has been increasing rapidly since its launch (Tencent Pinguin Research, 2016). Users care less about who had the idea first, but find it more important to use the app in new ways, which WeChat has been exceptionally good at. This has been increasingly recognized, also in the West, for instance with the New York Times writing reports such as “China, not Silicon Valley, is cutting edge in mobile tech” (Mozur, 2016).

The success of WeChat is generally believed to be caused by its multi-functions and its easier way of use (Custer, 2013).

“WeChat is a good example as a social media platform where you can transfer your money, you can pay your taxi, you can order your taxi, you can order food. There is basically not anything that you can not do with your WeChat, you can even make… you can even make investments. I think that is one of the things that are not available in the West.” (Daniel, Appendix 3, p. 15)

Along with the development of social media platforms, AliPay has also been recognized as one of the most disrupting tools that involves in users’ daily life. AliPay, developed by Alibaba, is handling almost 80% of all mobile payments in China (He, 2017; Kapron & Shaughnessy, 2015).

Lasse (Appendix 5) states that there are many technologies that are not present in the West, but that there are similar services.

“That’s very different than we are seeing in Denmark. You know, Facebook not being in China does not mean that there is not a Facebook equivalent and people are communicating the same way they did before Facebook, it’s more that the… There is restricting certain foreign companies then… Chinese in some way are copycats, in some ways companies, that happened … and added services that are not seen in the West.” (Lasse, Appendix 5, p. 31)

**Specific characteristic of industries ripe for disruption**

To measure if an industry is ready for disruption or being disrupted by its competitors in China, we need to look this from different perspectives. As mentioned in the theoretical chapter, on perspective is whether or not companies are good at viewing problems through the eyes of their customers, in order to solve them.

“I don’t know if they are better in that, but there are just so many customers in China, and it makes a lot of senses to try to develop something for them. […] I think the demand is different because all of the technologies on the phones are different. Like in China, we have WeChat, in Denmark there is WhatsApp and Facebook. So, that is different.” (Martin, Appendix 4, p. 25)
Through the interviews, it was highlighted that private Chinese companies were better doing this than state-owned companies:

“The state-owned companies basically have some requirements set by the government, and target set by the government, and not by the market. […] There is no need to put the focus on the service, or develop new products to the customers because basically, the customers don’t have any choice, they have to use the state-owned banks. So why should they develop anything new?” (Daniel, Appendix 3, p. 17)

That suggests, in theory, that the state-owned industries would be more likely to be disrupted. Looking at those industries in isolation, that is likely true – there is much more improvement opportunity in terms of customer service and so on, however, as this thesis explains, there are many factors influencing the likelihood of disruption, some of which protect the state-owned industries in China (e.g. the government, the law, and lobbyism).

**Values**

How a company makes decisions about business investments is very critical in the case of disruption or being disrupted in the market. As stated in the theoretical chapter, values are defined as the metrics companies use.

“There are also other types of companies which are basically just thinking this is never gonna happen to me, and just ignoring the facts and not doing anything. And my guess is one day, maybe they will die. [Interviewer: Like a lot of companies, like Kodak, they never…] Like Kodak, yea, that’s perhaps the best example of the company that ignored digital… [Interviewer: Power.] Power, yea.” (Daniel, Appendix 3, p. 21)

Kodak is a good example in this case, even if Kodak invented the first digital camera, attentions have been paid in terms of its potential in the future. If a company is measuring its success in one way and ignore the other ways of measuring success, then it would likely be a potential for disruption.

“What happened in Kodak, they looked at this digital camera that they invented, and they said, well, is not really good quality, the business opportunity here is very small, it’s just a few million, we can sell all of these, let’s don’t do that. And then instead, they focus on their old businesses, which was much bigger that time. But as the digital camera improved, it took away their old business completely.” (Daniel, Appendix 3, p. 22)

As Christensen’s (2000; 2015) theory of disruptive innovation suggests, big companies like Kodak was, might have financial metrics that are biased towards their existing business in a so severe way, they completely ignore new business opportunities.

“Many of them found it difficult to think like a startup. Because as a startup, you need to be ready to fail with a lot of projects. […] Startups fail fast whereas big companies, they
are used to spending millions of kroner on their particular projects to see if it works.”
(Martin, Appendix 4, p. 27)

Of course, as Martin (Appendix 4) mentions, companies, especially the successful ones, always find it difficult to challenge themselves since they are so used to the success, whereas the startups are more mentally prepared for failures.

“[Interviewer: So, do you think it is the same from China and from Denmark?] Yea… basically, yes, I think this is the same. And back to what we talked about, with state-owned companies, they are measuring their own success in some political way. [Interviewer: Revenue?] So, yea, maybe revenue, maybe how many people they are employed, or how many loans they have gave out. But not on something else. So, for them, the small startups might not be interesting at all. […] But one day, one of these small startups might be so big that they will kill all the banks. (Daniel, Appendix 3, p. 22)

Even though China is now focusing more on disruptions in the industries, it is not the whole country are willing to adapt to the market and do these changes. Daniel (Appendix 3) gives a good example by separating the Chinese enterprise into two categories.

“The state-owned banks, they just need to make sure to land out a certain amount of money, to a certain interest rate, to certain clients. They don’t have to care about if the customers are happy or not. [Interviewer: They don’t care about the service.] Correct.”
(Daniel, Appendix 3, p. 17)

He claims that the state-owned companies, especially the Chinese banks, are not willing to challenge themselves by developing new products and services which are aiming to enhance the customers’ satisfaction or customers’ experience.

Different from the market-driven business, the position of banks in China are strong as a monopoly industry. When there is less reason or motivation for the company to change, there will be no disruption in the industry. Chinese banks, especially the “Big Four” in China, are basically lead by the government, it is therefore irrelevant to them what the services are look like, they could still manage to get the business from most of the other state-owned enterprises.

In the meantime, the private companies in China are acting in another way, in terms of their attitude toward disruptions.

“But then, on the other hand, there are some private companies, and especially the tech companies like Alibaba, Tencent, Baidu, Xiaomi, they have a lot of focus on what the customers actually want.” (Daniel, Appendix 3, p. 17)

“Xiaomi, they are sending out new update on their phones every week instead of what Apple do, every year. Because Xiaomi, they are listening to their customers, and they develop something new for that week.” (Daniel, Appendix 3, p. 17)

As a private Chinese technology company, Xiaomi is listening to their customers’ needs. In order to increase the service quality, Xiaomi have free updates on a weekly basis, which is more often than its competitor, Apple.

Therefore, there are two groups we should look at when talking about disruptions in China, the state-owned companies and the private companies.

[Interviewer: Compared to Denmark, do you think are those Chinese private companies pacing up with those in the West? Or are they doing even better?] It’s hard to say if they are more consumer focused. But I think they are much more aware that there are specific Chinese demand and they are much faster at developing something that the Chinese want.” (Daniel, Appendix 3, p. 17)

Meanwhile, when talking about the comparison between Denmark and China, Daniel (Appendix 3) claims that it is difficult to distinguish who is doing better than the other, however, Chinese private technology companies are now having a lot of focus on what customers want and developing the applications that match with Chinese market and requirements.

Christy (Appendix 2) and Daniel (Appendix 3) give good examples from their own perspective.

“Again, you have to distinguish between state-owned and private companies. [Interviewer: Okay.] The state-owned companies, they basically don’t care too much about the competition because they basically don’t have any competition, they are protected by law. […] Whereas the private companies they care a lot about competition, there are so many companies in China, there are global companies, so they constantly need to develop new things.” (Daniel, Appendix 3, p. 18)

First of all, private companies in China seem as more active than the state-owned companies in terms of challenging themselves since they need to come through all their competitors and survive in the market. Additionally, as mentioned earlier in previous parts, to attract more consumers, private companies are willing to spend time, energy and financial investments to look through costumers’ eyes, to win a market share.
“Any industries that has not been disrupted yet must be afraid that they will one day be disputed. […] I think any industry is not yet digital should be thinking about how will this industry one day be digital.” (Daniel, Appendix 3, p. 21)

“I think there are some companies trying to do something with the Internet, I see there are lots of startups to tap into the Chinese market. So, in general, there are just a lot of companies trying to do this.” (Martin, Appendix 4, p. 24)

**People & talent**

One of the most important aspect within disruption is people. If there is not people, no talents, there will be new technology; and if there is no technology, then the disruption is just basically an empty talk. However, as can be seen from the following quotes, the people and talent aspect does not seem to get particular attention from the interviewees – at least the people and talent aspect is not much different in China than in other countries.

“People is very important when you develop any new technology. And I think China have a lot of people who are capable of doing this just like any other country have. […] Perhaps, yea, China is among the leading counties in terms of innovation they are, at least they are having the most patents in the world. Yea, so this is very important for any economy to have innovation.” (Daniel, Appendix 3, p. 22)

“They [companies] invest a lot, do trainings and things like that, yea.” (Martin, Appendix 4, p. 27)

As Daniel (Appendix 3) and Martin (Appendix 4) state, China is doing quite well, in terms of the number of patents. Moreover, it might also relate to China’s big population. Nonetheless, the education is still believed as an important evaluation standard in terms of people’s capabilities. Compare to graduate students in China, the students in Denmark are seen more think out of the box.

“I think in general, if you take the average Danish graduate students, they probably have a little bit more thinking out of the box capabilities, so I think in the Danish university is, you are now also attending, you learn a bit more of to think out of the box, compared to China.” (Daniel, Appendix 3, p. 23)

**Lobbyism & political forces**

A main difference between China and the West is how political forces work. First of all, it is very clear that politics have a big influence on business:

“I think in China, there are lot of focus on developing these companies, the government really want to stimulate the E-commerce business.” (Martin, Appendix 4, p. 25)
“For sure, for sure it will, especially in the country like China you know, they will be... they will have very broad impact on what’s being done now. Policies in general, we are seen now, you know, what is disrupting the Chinese tourism industry right now will mainly actually the policy that the government, you know, Xi Jinping has been out and saying a few times now need to do culture, you know... haha...” (Casper, Appendix 1, p. 7)

Still, it is also clear, that the political forces are different from Western countries. For instance, lobbyism as know in the West does not exist, yet, political connections are probably even more important:

“Government have a lot of influence, that’s why we see so much lobbyism in many countries, I am not sure how much is there of these in China, but at least in the US, that’s a lot of very obvious lobbyism. I think that is the same in China, but it’s not that obvious, it’s not lobbyism is to do, is more like, you know the Chinese “Guanxi” (relationship) in between companies and the government. So, in China, it’s much more having good connections and the in the West is much more about lobbyism.” (Daniel, Appendix 3, p. 23)

From the interviews, the most important regulation from politicians is who can be allowed to operate, and who cannot:

“I think it’s obvious when... if you have a government setting up restrictions for foreigners, to enter a market which wold be very attractive without restrictions. That obviously means...that’s very potential for other companies to pick up that market share. So, yea, I think there is a lot of focus... and when you hear of a Chinese compare that selling online that might be there just a few companies that are really famous now but it's not like it started just one company fighting to be a Facebook, you had a number of Chinese companies in the blog and social app things fighting to be the big one and later on you see consolidation and a few emerging winners. But obvious, the market becomes very attractive for Chinese and the foreigners are left out then and... then the price going down and there is still high demand.” (Lasse, Appendix 5, p. 31)

However, unlike in the West, the question of who are able to operate a business, and who not, is mainly driven by national interest of protecting domestic industry, and not to guard some industries against new technologies (as was the example with Uber in Denmark, for instance):

“And I guess you could argue that they are trying to protect the taxi drivers. But I think the case in China is different because they are not really against the technology, it’s that the rather than having an American company doing it, they would prefer to have a Chinese company doing it.” (Lasse, Appendix 5, p. 31)
“There is absolutely no doubt that the Chinese companies that are successful are much more successful than they would have been without their competition. So, I am not gonna say that WeChat is…I mean they are successful only because of their own capabilities, they are also largely successful because of the government as I mentioned.” (Lasse, Appendix 5, p. 32)

9 Analyzing disruptions in the Chinese tourism industry

In this part, the thesis will take one step closer to answering the research question, by looking at how the aspects of disruption (as discussed above) influence the tourism industry in China. Having now analyzed disruption in China in general, we will now analyze how each of the eight elements of the disruption framework affects disruption in the Chinese tourism industry.

To do this, it will look at specific examples of disruption in the Chinese tourism industry, and it will once again turn to the examples given by the interviewees, to create an understanding of how the tourism industry is being disrupted in China.

Examples will be used because there is a big difference in terms of disruption in China and in the West, and it is important that the reader understands this. For instance, Didi Chuxing managed to beat Uber and won market in car service sector. However, car sharing services are not taking over the taxi business, and taxi business is not disrupted by companies like Didi or Uber in China. Didi Chuxing is given some certain rules to determine the operating requirement: “We call for local authorities to adopt market-driven approaches that encourage innovation and new business models” (Makinen, 2016). Users are able to get real taxis by using Didi Chuxing since the drivers from taxi companies are also using their own smartphones, where they could get passengers using the Didi app. In the beginning of 2016, Didi took a 1 billion USD investment from Apple and a venture capital fund "to accelerate the integration of the online ride-hailing and taxi services through strategic partnerships with regulators, taxi companies and drivers" (Makinen, 2016). Such corporation between taxi companies and car sharing service companies make the local taxi business survive without being disrupted. Nonetheless, a disruptive technology is now very present in China.

This example makes it clear that disruption in China is taking different ways than what it does in the West. It is therefore useful to look at some of these examples from the tourism industry, to give the reader an indication of how disruption is developing in China. Examples will be shown in the following in grey boxes.

9.1 Using the framework to analyze the disruption in the Chinese tourism industry

Demand & preferences
According to Casper (Appendix 1), even though technology has been discussed broadly in China, most tourists still choose to go to a traditional agent once they need to book a trip, and therefore the distribution in Chinese tourism industry is not as big as what people thought in China. In order to clarify this phenomenon, Casper (Appendix 1) gives one main reason.

“If we look at the travel to Europe, like the business I am in, then more than 85% of people are still purchasing offline, for the very simple reason that Europe is a very expensive destination to go to.” (Casper, Appendix 1, p. 3)

Casper claims that almost every tourist book their trips online or by apps nowadays in China, but the products they purchase are only limited to destinations close by like Hong Kong, Macau or Taiwan. For the destinations like countries in Europe, people would prefer to book in a traditional agent, it is a big decision after all.

“Maybe if you want to bring your wife and your husband, your child to Europe. You are easily looking for 50,000 RMB for just one trip, for, you know, 10, 12, 14 days. And people don’t have the tendency to push the button online and purchase 50,000 or 100,000 RMB worth products, they want to go to the local agent, to see that there is a real agent. Especially in China where there is so much fraud going on between agencies.” (Casper, Appendix 1, p. 3)

This is a very interesting phenomenon to study. It seems like there is demand for using online agencies, but only when the total amount is not too high. Based on his experiences, Casper (Appendix 1) states that due to the fraud within the country, consumers are more cautious once they choose a pricy product. Compared to an online product, it is better as a consumer to hear more details from a real agent. Consumers find it is more reliable to have a face-to-face talk before they hand out the money.

“I think technology is gaining some traction in China, but there are still many ways far, far important to the tourism industry. B2B meetings, B2C meetings, participations in fairs, etc, are all generating more business and more clients than any kind of online marketing will do.” (Casper, Appendix 1, p. 3)

“When you look at the number of people using online means in China now, I think we have reached a large number 1.5 or 2 million companies or travel agents are going online in China now, they can be from very big to very small, you know 1 or 2 persons’ company.” (Casper, Appendix 1, p. 3)

From these quotes, it can be concluded that it is necessary to see technology in a broader perspective and also consider the culture and general demand.
**Demand and preferences example: Uber vs. Didi Chuxing**

As a global leader in taxi services, Uber has today gained over 15 million monthly active users and conquered a valuation of 23.4 billion USD (Nasr, 2015; Kokalitcheva, 2016). Doing business in China is a different story. Since its formal launch in 2014 until its announcement of business merging with a Chinese rival, Uber has finished its 2.5-year-journey in China (Hook, 2016; Uber, 2016a).

Didi Chuxing, however, is now famous globally by being the owner of Uber’s operation in China. As China has a growing population and a growing middle class, plenty of ride sharing companies and apps have joined the competition. Didi as one of them has gained the biggest market share in the price conscious market, China. Compared to Uber, who had spent over 1 billion USD each year to just win 20% of the market share (Gasiorek, 2016), Didi plays smooth sailing in the battle. With a better understanding of the local communities and their requirements, the foreign rivals find it difficult to survive. As China is a Google-free country, Uber wasn’t able to embody its accurate location advantages while the system is bonding with Google Maps in the rest of its markets in the world. Besides that, Didi Chuxing as a forceful competitor, has its back on WeChat pay and Alipay, which are the payment systems that have been widely used in China, and thus gained a better user experiences in general, from both the drivers perspective and passengers perspective. With the support of a stable map and payment system, Uber had to give up and merge with Didi Chuxing.

This example makes it clear that what really forced Uber to close down in China was that it was not able to adapt to Chinese demand and preferences fast enough.

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**Law & regulation**

As was the case for disruptions overall in China, the law and regulation is also highly important for disruptions in the Chinese tourism industry.

“The resources we had are really limited, and Chinese government have to support the development of the industry by implying new regulations. Especially the peer-to-peer business, you know, otherwise, it would be difficult to improve the industry. The whole environment stimulates the government in coming up with new regulations and thus to provide a platform where companies are able to do business, to meet up the increasing volume.” (Christy, Appendix 2, p. 12)
**Venture capital**

In China, the orange-colored Mobikes and yellow-colored Ofo bikes are now booming in many cities in China, and are examples of companies that need venture capital. At the beginning of this year, Mobike announced that they have raised funding in a new round and now brings the total funding up to 300 million US dollars (Mobike, 2017; Cadell & Anantharaman, 2017).

“Mobike and another one, what’s the name? [Interviewer: Ofo Bicycle.] Ofo, all of these, there are 15 different companies now. Up to now, they are losing money, they are not making any money, they are spending millions of dollars a month, trying to fight this war with the other bike companies. They (Mobike) are spending millions of dollars a month, trying to fight this war with the other bike companies. [...] Next 10, 20 year, they will lose money continuously.” (Casper, Appendix 1, p. 6)

There are many of bike sharing products in the market and it is still too early to measure if Mobike is going to crush its competitors and becomes a profitable company. However, it is sure that as a disruptive product (see also the next grey box), Mobike is expanding fast and is seen as one of most aggressive Chinese firms (Fortune, 2017).
“But in terms of being a true genuine disruptor, I honestly don’t see it, you know, it’s a company funded venture capital of the next 10, 20 year, they will lose money continuously. And then you know, they it starts to lose some of the, I guess, for me, personally, any way…anybody can do something and go in the press, open China in the …. If I get 300 million dollars, I can do a project looks very good, but it doesn’t work in the details of it.” (Casper, Appendix 1, p. 6)

Casper (Appendix 1) claims that it is the venture capital that made Mobike what it is today. Meanwhile, he also states that he would have come up with a better project if he had been funded by the venture capital.

According to Casper, Mobike and Ofo Bike are unlikely to turn profitable within the near future. Without a profitable business model, venture capital is needed to support the business. If the bike sharing platforms becomes successful, it can disrupt the transportation industries in the cities for tourists in the future.
Venture capital example: Sharing bike in tourist destinations vs. Ofo Bicycle, Mobike

As tourism develops globally, many destinations start to focus on providing a green and flexible transportation modes. Meanwhile, it has also become a trend to travel by bike as a healthier life style (Shaheen, Guzman, & Zhang, 2010; LDA Consulting, 2013). It was in Amsterdam where the first bike sharing system emerged in 1965 (Frade & Ribeiro, 2015; Runde Sache, 2011). Since then, more than 800 of bike-sharing programs have been built and another 200 are being planned built, according to the Bike Sharing World Map (Google, 2017).

Bike sharing is hardly new, and most cities have their own system. Bloomberg claims that by 2020, the market could grow by 20% a year and generate USD 5.8 billion in revenue (Bloomberg, 2016). In Copenhagen, the white bicycles with touchscreen tablets are often seen on the street, besides that, the electronic Gobike is also used often in some European cities (Gobike, 2017). Most bike-sharing system are funded by the local governments and sponsors (Frade & Ribeiro, 2015).

This is however being changed in recent years when private companies like Ofo Bicycles and Mobike started in the China market.

The characteristic of these new rivals in China is that they are using disrupting technology, incl. that users are be able to pay and unlock the bicycle via smartphone applications. People can find the nearest bikes through the mobile phone (GPS) and leave it wherever they want. This technology is not used in this way in any other place. The user-friendly technology not only provide convenience to the tourists, but also solve the “last mile travel” challenges for people who live in urban areas. Mobike now have 3.65 million bikes and 20 million daily users, which has been achieved in less than a year, clearly indicated the disruptive potential (Sohu, 2017).

To get a sense of the scale, a tier-2-city in China, Chengdu with 16 million people, for example, has around 2.5 million people daily who take the metro, while the number of Mobike users has reached to 3 million after 6 months. Mobike in Chengdu has thereby become the second biggest transportation choice, and the example from Chengdu is not unique. According to the Mobike CEO, Mobikes are currently the 3rd most used mode of transportation in whole China (Sohu, 2017; Sina, 2017).

As one of the biggest bike countries in the world, China used to have more than 670 million bikes in 1990s, according to Bloomberg (2016), the number has declines to 370 million by year 2013. The appearance of Ofo and Mobike have brought the citizens back to the habit of riding bikes again.

However, in the startup-phase competition is fierce between the platforms, and none of the businesses are profitable. At the same time, large investments are required to expand the network and attract more users. This is very expensive and requires a lot of venture capital, which both Mobike and Ofo have been able to attract.
Innovativeness (R&D)

In China, a lot of innovation has been taking place in the tourism industry during the last years, as the industry has gradually expanded:

“After 2010, the demand was deceasing a lot from the overseas market, however, the domestic requests started to boom. Not just for our company, but the whole industry. The well-known digital platforms you have heard about are mostly born during those year, Mafengwo, Lvmama…the platform and apps are very popular among the majority public. And these platforms are just like “bamboo shoots after the rain”, grows very fast. If there is no Mafengwo, Qunar or Lvmama, there will be other disruptors in tourism industry. Technology is a trend.” (Christy, Appendix 2, p. 12)

Casper, on the other hand is less impressed:

“I just don’t see it as a strong…you know when I read the Danish newspaper… When I go on LinkedIn and see these weird things people put on, ‘Now it is happening in China’, ‘Now Mobike and Didi are doing these crazy things…’ It’s true, but they are not actually changing that much, it’s the same, we still driving around in the same old taxies, you know. It’s just the different way using the service basically.” (Casper, Appendix 1, p. 9)

Daniel likewise is not sure how technology is going to play out, although he is more certain that it will be important:

“So, for tourism, I think technology is probably also gonna be more and more important. But, it’s hard to tell exactly how this is gonna play out, is this gonna be some virtual reality and people don’t travel anymore? Or, it’s just gonna be more Airbnb and TripAdvisor, and this kind of platforms?” (Daniel, Appendix 3, p. 20)

However, Casper (Appendix 1) expresses that a few other forms of interactions is way more important than technology in tourism. Despite of the big numbers that tourism organizations are going online in China, Casper (Appendix 1) holds an opinion that staying as a traditional player would be more easy to generate business than other online marketing will do.

“Online now the competition is extremely fierce and it’s very hard to do. You know how you ever going to be the top 10 list on Baidu. And how you ever going to be the most looked up apps on WeChat. You know it is almost impossible to do unless you spend like a margin. [Interviewer: You need to pay some money to attract volume.] Exactly, and it is very expensive to do and you are not guaranteed any results. The problem we also doing online is since you have very little space or time to explain your products to the clients, you know the attention rate online is very low compared to offline. That means you need
to explain your products like in a minute or so, otherwise, people will lose interests.”
(Casper, Appendix 1, p. 3)

At the other hand, Christy (Appendix 2) disagree on avoiding online tool to do marketing and promote her company:

“There are much more tourists compare to 5, 10 years ago. And people have much more different choices now in terms of how they go on a holiday. People drive on their own, team up with strangers, join a tour group… We used to have 50 million tourists out of 1.3 billion Chinese population. But right now, the figures of the Chinese tourists have increased to 300 million. Therefore, it is very difficult to meet up the rapid growth of the current demands if we are still doing business in the same old way, in another way, the traditional market is too old, too inefficient to support the new demand.” (Christy, Appendix 2, p. 12)

Casper instead believe that technology should be used in a much more focused manner:

“I know where I see technology been very helpful is this something we work with our partners, especially in Jutland, where we work with some of the tourist destinations that they are, for instance, to have WeChat or AliPay payment in the hotel. [Interviewer: Yes, I’ve seen many.] In the mini bar, in the room. I think that will help to sales, so that specific areas where you can use technology to improve your turnover, in the hotel or in the restaurant. [Interviewer: There are also some shopping malls in Denmark are using this function, I mean technology, like Illum in Copenhagen, that tourists can pay by AliPay through their mobiles.] So, that I think could be very helpful. Because that eliminates the need to go to the bank and change money and all these things that what you really want to do. But if we are talking overall, you know, if they pay with WeChat in the hotel, that’s great, but how do we get them to the hotel, and for that WeChat is not going to be very helpful, then you have to do all fine marketing. So, I think, for technology, it’s more for a questionable offering solutions when the travelers are in the destinations but it’s not going to attract the travelers to the destinations.” (Casper, Appendix 1, p. 6)

Casper argues that the difficulties of using digital technologies is worth it, if the purpose is to stimulate the consumption itself, e.g. if AliPay or WeChat wallet would bring more revenue. When looking at E-commerce in China, consumer habits are not easily formed. It took time for the consumers to become aware of how convenient it is to do shopping online. It took time for the delivery system to become mature in big cities in China. Therefore, it will also take time for consumers to realize how easily these digital technologies will benefit their shopping experience and therefore form the habits to consume more. For instance, in the Airport in Copenhagen, tourists are also able to get their tax refund through AliPay. That does not mean the tax refund companies are
doing this to have tourists spend more in Denmark during their first visit. Instead, it is to form a habit by using different ways of getting tax refund, which could trigger consumers’ consumption habits to feel like shopping at home, and decrease the complicated process of having their tax money back, before they are heading back to China. Thus, it makes Denmark a convenient place for shopping besides it’s attractions, compared to the other European destinations.

**Innovativeness example: Airbnb vs. Xiaozhu, Tujia (C2C)**

Founded 9 years ago, Airbnb’s business has expanded to over 150,000,000 listings in 65,000 cities and 191 countries (Airbnb, 2017). On this platform, the hosts of Airbnb are able to meet people from different countries as well as earning extra money while the travellers are able to stay in the room for a relatively cheap price compared to a hotel.

Just like Uber occurred some problems while entering the Chinese market, Airbnb as well met some strong competitors like Tujia, the platform which provides peer to peer home stay services.

However, as Yimin (2015) explains, even though Airbnb has its first mover advantage in the industry, it had difficulties in China because its competitors were first in that market. Statistics shows that even though Airbnb has a big listing of apartment globally, it is however only around 2 percentage of them in China (Custer, Why Airbnb is Struggling in China, 2016). Besides the availability, China’s personal identification system also works in a different way, implying that Airbnb should develop a completely new system to adjust the Chinese market.

More and more foreign companies realize that doing business in China is one story and to survive in China with all its “copycats” is another story. Chinese companies are not just copying the business model but also adapting it into the local environment. Most Chinese substitutes claim that what they have is not a similar product but a more advanced service that has been adapted to the Chinese market and Chinese culture. The rise of Xiaozhu and Tujia reflects that Chinese rivals are fighting back hard towards its originals.

**Specific characteristic of industries ripe for disruption, values, people & talent, and lobbyism & political forces**

For the remaining elements of the framework (Specific characteristic of industries ripe for disruption, values, people & talent, and lobbyism & political forces), none of the interviewees had any notes or comments specifically on the tourism industry. Instead, their comments where related to China in general, and how the elements have been influencing disruption in China.

For that reason, this part of the analysis will not rely on direct quotes from the interviewees, but rather extension of the previous analysis of China in general, and evaluations of how this will likely look
Starting with the specific characteristics of industries ripe for disruption, the previous analysis and the interviews clearly suggested that when it comes to looking at problems through the eyes of the consumers, there is a big difference between Chinese private companies and Chinese state-owned companies. As the interviewees suggested, Chinese private companies are good at innovating new solutions that makes the experience better for consumers. Looking towards the tourism industry, we see that almost the whole industry is private in China. Extending the conclusions from previous analysis, that means that the Chinese tourism industry is already very innovative. Through desk research, I can see that WildChina has been recognized as world’s top 10 most innovative companies in travel, along with Airbnb and Alta Bicycle Share (Fast Company, 2014). Because of the booming emerging middle class in China, WildChina has been targeting their middle-class group with tailor-made sensibility trips “to live the life of the destination area”, which the other traditional tours could not provide.

The theory suggests that given this innovativeness and constant development, the tourism industry in China is less likely to become disrupted from the outside, but is more likely to continuously evolve in the current structure (that is, not disruption).

This is not to say that all present companies are likely to be successful and survive in the industry. Rather, it is likely that there will be healthy competition as the Chinese tourism market grows larger, and that this competition will make some companies flourish while others will struggle. If we want to understand which companies will likely be successful in the industry, we need to look towards some of the next elements to be analysed.

Given that many of the Chinese tourism companies are small (relative e.g. to the state-owned companies), their value set (as defined by Christensen), is likely to be acceptable of investments in relatively uncertain new technologies, which, as discussed in the theoretical part, is a prerequisite of innovation. However, as we also have seen from previous analysis, there seem to be a tendency of less asset-heavy companies being more innovative. This is the case because the assets often influence the values of the companies, and make companies less likely to access business opportunities with low relative returns. Therefore, if we were to say anything about which companies are likely to become successful in the innovation game within the Chinese tourism industry, it would likely be the asset-light companies, e.g. companies based on, for example, Internet technology, rather than asset-heavy companies, e.g. hotel chains that have a lot of expensive property on their balance sheets.

Another indicator of which companies that are likely to succeed is people and talent. Research (OFFCN, 2017) shows that the state-owned companies are no longer the preferred employers among university graduates in China, but instead that the large technology companies attract the brightest students. These companies include Alibaba, Tencent, Xiaomi, and Baidu. These are asset-light
technology companies, that have already disrupted many industries. And it seems like graduates are not just attracted by the technology industry itself, as companies such as Lenovo, the world’s largest PC brand, and Huawei, one of the world’s largest smartphone brands, have not been able to climb up the ranking like the others have. It therefore seems like, just like in the US, that Chinese graduates like to work for companies that have the ability to change and disrupt an industry.

Given that these technology companies are best at attracting people and talent, and given the already discussed importance of talent, it is fair to assume that some of the most innovative companies in the Chinese tourism industry going forward, will also be this kind of technology companies. It might not necessarily by Tencent, Alibaba or one of those software companies (although it could), but it could also be a new tourism company, focusing on software, e.g. through a new innovative online platform. We have already seen indication of this development, also in tourism, through the already discussed examples of Mobike and Ofo Bike, the two bike sharing companies that are disrupting tourists’ mode of transportation: These companies mainly position themselves as technology and software companies.

Lastly, as we have already established, lobbyism and political forces are important in China too.

“[Interviewer: Also, soft power.] Yes, exactly, you know, become a little bit more quality conscious in China. As you know, when Xi says this kind of this thing, then everyone starts to do this, because it comes from the big leader in Beijing. [Interviewer: What do you mean by that?] That means that we are seeing right now a massive, massive search for children, culture and educational travel products. […] I think that’s much more disruptive than any of the technology we were talking about. [Interviewer: I see.] 2-3 months later, we can immediately in the industry see products come out that have been change to fit what he said during the speeches, right?” (Casper, Appendix 1, p. 7)

10 Comparing disruption in China relative to Denmark

This section will highlight the main differences between China and Denmark. Denmark was chosen as the comparison country, first of all, because it is a Western country very different from China: It is very small, relative to China, and has a political system very different. Secondly, Denmark has a much more liberal industry policy, and is bound by more industry free trade rules (e.g. by the EU) than China is. Denmark therefore cannot protect its own industries in the same way China can. Lastly, the interviewees all had some relation to Denmark, and could therefore also help with the comparison.

The following sections will briefly go through the eight elements of the framework and discuss how China and Denmark are different.

Demand & preferences

The obvious difference between China and Denmark is the size: Population, country, and economy, all of which are much larger in China than in Denmark. This have some obvious implications for the
demand in the country.

We have already established that China have unique preferences. We have not discussed whether the Danish people have unique preferences relative to other Western countries, but due to its small size, even if they have, there is less likelihood that some company will develop a special service or product only for the Danish market.

In China on the other hand, this is a market large enough to be attractive for many companies. To give examples, Baidu (the search engine) and WeChat (the social media) were developed for China, while the main search engines and social media in Denmark were originally developed for the American market. Of course, there are exceptions – GoMore is a good example of a service developed for the Danish people, although the actual service is not much different from similar services in other European countries.

The fact that China is so much bigger makes it more attractive for companies to develop new technologies for the Chinese market. According to the framework, and the underlying literature, there would therefore be larger chance of disruptions in China, looking isolated at this element. However, given the proximity of Danish demand to the demand in other Western countries, Danish industries could be disrupted by international technologies.

**Law and regulation**

The Danish law within industry and business is to a large degree dependent on EU regulation. That means, that unlike China, Denmark is not able to favour local businesses over foreign businesses. Nonetheless, there have been proven to be ways around this, such as the example of the heavy taxation of cars (which are all manufactured by foreign companies). Similarly, Uber had to pull out of Denmark in 2017 (BBC, 2017). This happened after lobbyism from the local taxi companies and local unions.

However, as has also been mentioned earlier, Denmark probably has a more liberal industry law than China, which according to the framework and the underlying literature implies that disruption is more likely to happen in Denmark, speaking isolated about this element.

**Venture capital**

As mentioned by some of the interviewees, the market for venture capital is likely more “free” in Denmark, meaning that personal relations are less important than they are in China. On the other hand, due to the larger market, the amount of venture capital is also much more in China, which was also mentioned in one of the interviews.

This means that disruptive technologies for tourism is more likely to be developed in China than in Denmark, as there would simply be too little potential in funding e.g. Wonderful Copenhagen for new software only for the Danish market. On the other hand, software that could target a larger market, e.g.
the international market, or the Chinese market, would be more likely to be funded.

**Innovativeness**

It is hard to objectively measure innovativeness of a country, not speaking of comparing two countries like China and Denmark. However, it is possible to observe what types of industry are present in an economy, and by that infer something about innovativeness.

As Martin (Appendix 4) mentions, the largest industries in Denmark are traditional industries. In China, there is a mix of state-owned traditional industries and private tech industry. The following two tables of the most valuable brands in China and Denmark, respectively, supports this overview.

(Brand Finance, 2017a)

(Brand Finance, 2017b)
It can be seen that, in China seven out of the ten are state-owned (four banks, two oil companies, and one telecommunications company), while the three others are privately owned, and all technology companies, including Alibaba Group (ranking 4), Huawei (ranking 9) and Tencent, the owner of WeChat (ranking 10). This clearly shows the two-speed country that were mentioned by many of the interviewees: A traditional state-owned side, and a high-paced private side.

When looking at the Danish brands, all top 10 companies are private owned, with industries covering pharmaceutical, shipping, energy, consumer goods, and banking. None of these brands are tech companies in the classical sense, although companies like Novo Nordisk and Vestas are clearly high-tech companies.

As has been already mentioned above, it is also worth noticing the size differences: With Tencent, the company that owns WeChat being #10 in China having a brand value of about three times #1 in Denmark (LEGO).

Based on this analysis, it can be concluded that (at least among the largest brands), China is home to more tech companies that could develop solutions to disrupt the tourism industry.

**Specific characteristic of industries ripe for disruption**

As was discussed, industries ripe for disruption are often those satisfied with status quo, and those not seeing problems through the eyes of their customers. While it is clear that private Chinese companies are more customer centric that the state-owned ones, it is not clear whether or not they are more customer centric than the Danish ones. It is therefore hand to conclude on a comparison between China and Denmark on this dimension.

**Values**

As for the above paragraph, the values of Chinese companies largely depend on whether or not it is a private or state-owned company. For the private companies, their values will, theoretically, depend on the size and the metrics of the individual companies, and therefore it does not make much sense to compare two nations on this dimension.

Instead, what can be said is that much of the tourism industry in both Denmark and China is supported or sponsored by the respective governments. Being publicly funded impacts the values in the sense that there might not always be the same “return on investment” requirement with money from the government, and the tourism organizations can therefore easier invest in more risky technology project. With that said, however, governments usually do not have a good track record for thinking out of the box, which is necessary for disruptive innovation.

**People & talent**

There is not much differences in terms of people and talent between the two countries. China
obviously has a larger quantity, whereas, as one of the interviewees also mentioned, the universities in Denmark are, on average, of higher quality than in China, which is still a developing country. Therefore, it can also be expected that the quality of the people and talent is higher in Denmark than in China.

**Lobbyism & political forces**

It was found throughout the thesis that China do not have many lobbyist organizations as they are known from the West, but that personal relations matter much more in China. We have also seen that political forces have been able to impact which companies are allowed to operate in both Denmark and China.

11 Findings

Through the analysis, it was found that the large demand and the most recent development, e.g. within smartphone penetration, constitute a large driver for disruption. Several of the interviewees mention how China’s population is on the forefront on technological demand, and that this demand will likely result in even more innovativeness, and thus increase the chances of disruption, also in the tourism industry.

It also has become clear that the Chinese government is extremely powerful in determining how disruption will impact Chinese industries. If previous cases can prepare us for what will happen in the future, it seems likely that the Chinese tourism industry will not be allowed to be disrupted by any foreign technology company. Instead, as has been the case before, China will either copy a concept and adapt it to the Chinese settings, or it will develop something completely new by a local Chinese company.

We also saw how there is plenty of venture capital in China, and that the investors are willing to take a lot of risks. We saw how startups like Mobike and Ofo Bicycle have been funded despite a loss making price war. Again, if this is any indication of how the Chinese tourism industry will react to digital disruption in the future, we are likely to see some large tourism companies, build on technology, to take on the market and disrupt it.

Regarding innovativeness, we saw how there are two ways China is being innovative: The first way is when Chinese companies copy a concept and adapt it to Chinese settings. This has been the case with Tujia that have introduced peer-to-peer accommodation, but adapted it to Chinese settings, e.g. by improving the personal identification system, and thus is able to beat AirBnB. The second way is what we have seen with WeChat and Mobike, which are products that are technologically more advanced than any peer products around the world. For instance, we have seen how certain features developed by WeChat, has later been copied and adapted by Western technology companies incl. Apple and Facebook. The findings within innovativeness certainly underline that there is potential for
disruption within the tourism industry, and that China has the potential to develop something fundamentally new within this industry. However, it is hard to say whether disruption will come from one of the tourism companies already established today, or if it will come from the outside, e.g. one of the Chinese technology companies.

The analysis of people and talent showed that China is not short of talent, and that this will not be a limitation in the further development of e.g. the tourism industry. Lastly, we saw how personal relations are more important than traditional lobbyism, but also that when strong personal relations are in place, especially if these are with people high in the government, they can be very powerful. Through these personal relations, Chinese companies are able to keep disruption from abroad out, further underlining the conclusion that disruption will come from a Chinese company.

**12 Future research agenda**

The purpose of this thesis has been to highlight how the unique Chinese setting affects how disruption is likely to influence the Chinese tourism industry. It has not touched upon what tourism companies and organizations (Chinese or other) should do to protect or even take advantage of these disruptive changes. As such, this thesis offer no managerial guidance for tourism companies.

Future research could look into how tourism organizations can identify disruptions early enough to proactively either prevent it or take advantage of it.

This thesis has also not looked into whether or not the Chinese settings are good for the tourism industry (Chinese or in general). It would be interesting to see a study of whether the Chinese settings (e.g. the protection of domestic industry) is in fact helpful for the industry or the country as a whole.

Lastly, it would also be interesting to see future research perform similar analysis of disruption in the tourism industry of other countries. An interesting study would be the USA, since the USA is home to many of the disruptive technologies most people think about first, when they think about disruption.

**13 Conclusion**

The tourism industry is being disrupted by disruptive forces (WTCF, 2015). Disruption moves at different speed based on different events. Nonetheless, tourism has always found wayw to reinvent itself. It is said that “a destination can repair itself after a hurricane or earthquake, or add levels of security after terrorism, but there's no returning from technology-driven transformation” (WTCF, 2015).

This thesis asked the research question ‘How will the Chinese tourism industry react to digital disruptions and how will this be influenced by the unique Chinese settings?’ The thesis answered the question, first by identifying which elements are important when analysing disruption of an industry. Each of these elements were then discussed with interviewees.
It was found that the Chinese tourism industry is unlikely to be disrupted by foreign companies, but that it is likely to be disrupted. This is because of the unique Chinese settings: The main reason is the large-scale demand for tourism in China, which is soon to become the largest in the world. This will attract investments, as it has already done. At the same time, there is a very strong track record for technology innovativeness in China, which is likely to spread to the tourism industry, given the high political focus these years. It was also found that Chinese consumers are likely to welcome the disruption, as they have previously been fast at adopting new technologies for consumption.

Disruption in the Chinese tourism industry will demand attention from tourism companies and organizations world-wide. Given the importance of Chinese tourisms for the global industry, what happens in China will set new standards for what is expected of tourism globally.
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Appendix 1 Interview with Casper Tollerud

Introduction

The interviewee, Casper Tollerud, who is CEO at Beiou 360. The interview was held by telephone interview on April 12, 2017. The interview was conducted in English, and lasted for 30 minutes.

Participants:

W = Wenjun Zhao (interviewer)
C = Casper Tollerud (interviewee)

W: Is it okay that I record the interview so that I can transcribe it?
C: Yes, yes.
W: Thanks. I am currently writing my master thesis focusing on the Chinese tourism industry, and how it is reacting to disruption from international based digital platforms, how China build its own platforms, and not adapt American ones, and how the Chinese tourism industry is likely to respond to digital disruptions in the future. In relation to my thesis, I am interviewing experts like you in order to look at it. So, can I start?
C: Yea yea.
W: Would you mind to introducing yourself first?
C: No, sure. My name is Casper Tollerud. Danish person living in China for 16, 17 years now. Working in tourism industry in China since 2003. I run a few companies here, one is called Genuine China Tours (真实国际旅行有限公司), one is called Beiou 360 and then we also have a company called Limian, who does tourism marketing and promotion. We operate three different companies. So basically, what we do is, first of all, we do inbound, foreigners travelling in China. We also do outbound, only to the Scandinavian countries. And then like I said, through Limian, we do tourism marketing on behalf of the clients from various part of the world.
W: Okay, so what role do you think is technology playing for Chinese tourist organizations today, and for the tourists themselves?
C: To be honest, I don't think it plays a very large role so far.
W: Yes... Could you explain?
C: Because there are many reasons, I know in the tourism industry in general. In China, everybody is talking about technology, everybody is talking about the use of the internet in promoting tours. But Chinese market so far, especially in the last two years, what we see is that even though people might find some information online, the vast majority of people who choose to go abroad, they still book offline, they want to go to traditional agent.
W: Okay, I didn’t see that.
C: So, if you look at the number, the statistics for Chinese outbound in 2016, for example, it’s true that from towards that… you know that there are many types of number, some says 30%, 40%, even 70% that I heard,
of travellers they travel in FITs, as if FITs, so the fully independent travellers. But in China, the registration system is a little bit different, so travellers can be registered as an individual traveller even though through an agency. So, the number is not quite correct, that’s problem number one.

W: I see.

C: Problem number two is that basically, when we look at this big data, that everybody is so keen to talk about these days, we always see the fact that 99% or so of the travellers in China who purchase products online or by Apps, they only purchase by near destinations, so one weekend in Hong Kong, one weekend in Macau, or a trip to Taiwan, or things like that.

W: Okay, so why is that?

C: If we look at the travel to Europe, like the business I am in, then more than 85% of people are still purchasing offline, for the very simple reason that Europe is a very expensive destination to go to.

W: Yes.

C: And maybe if you want to bring your wife and your husband, your child to Europe. You are easily looking for 50,000 RMB for just one trip, for, you know, 10, 12, 14 days. And people don’t have the tendency to push the button online and purchase 50,000 or 100,000 RMB worth products, they want to go to the local agent, to see that there is a real agent. Especially in China where there is so much fraud going on between agencies. So, to be quite honest, I think technology is gaining some attraction in China, but there are still many ways far, far important to the tourism industry. B2B meetings, B2C meetings, participations in fairs, etc., are all generating more business and more clients than any kind of online marketing will do. And, also, when you look at the number of people using online means in China now, I think we have reached a large number 1.5 or 2 million companies or travel agents are going online in China now, they can be from very big to very small, you know 1 or 2 persons’ company.

W: Yes.

C: And that means that online now the competition is extremely fierce and it’s very hard to do. You know how you ever going to be the top 10 list on Baidu. And how you ever going to be the most looked up accounts on WeChat. You know it is almost impossible to do unless you spend like a margin.

W: You need to pay some money to attract volume.

C: Exactly, and it is very expensive to do and you are not guaranteed any results. The problem we also doing online is since you have very little space or time to explain your products to the clients, you know the attention rate online is very low compared to offline. That means you need to explain your products like in a minute or so, otherwise, people will lose interests.

W: Okay.

C: And the problem with this is we see China now is the majority of the agents doing mainly online marketing, they have one major selling point and that is price.

W: I see.
C: And means that, if you go online in China, and you start to do marketing where your main focus is online, then it will be easy for you to involve in the price war. And once you are in the price war, and once you have made a cheap product out of your destination, then it is very hard to get out of it again. We’ve seen that many many cases, we’ve seen it with Thailand, we’ve seen it with France, we are seeing it now with the US, we’ve seen it with Iceland, we’ve seen it with the Norwegian Fjords, how betting on online sales will drag you into a price war that will be very difficult for you to get out of again.

W: All right.

C: And that means… actually… I personally don’t think that online marketing in China is the best way to go about it, when we are talking about marketing for country like Denmark, like you know, Denmark is as expensive as it is, it is very difficult to get involved into a price war with the other European countries. Because no matter what we do, Denmark will always, haha, be more expensive than we expected obviously.

W: Yes.

C: So, for me, I don’t think that’s the way to go. And when we do offline marketing in China, we generate much better results with much less money, than especially online now.

W: So, do you think it depends on the age level, that young people prefer to go online and book the trip whereas the elderly or those people with family would prefer to go to the agent, and having face to face talks with the agents?

C: I think age certainly has little bit to do with it, but what we are seeing now is that the market in China is moving away from Beijing, Shanghai and Guangzhou, and moving into, you know, to tier 2, tier 3, tier 4 cities around the country. And in these areas, what do you call it, the comfortable use of online service is not quite as strong as for instance, young people in Shanghai.

W: Okay.

C: So, we still see young people in Guizhou travelling with traditional travel agents. I think that is one thing. Another thing I also think is that for sure a certain part of young people, say 20-25 years old would prefer to book online, and to book everything on their apps on the phone. But for many, many years to come, it will still be only a very small percentage the people travelling out. And we also seen people now travelling now is, young people using apps to book things is still mainly the near destinations, Taiwan, Thailand, Hong Kong etc.

W: Okay.

C: That the apps are attracted to these people. The complications of getting a visa to get into a country in Europe are much stronger, much more difficult to go through for Chinese people than to go to Thailand, for example. And that means sometimes that simple booking on an app is not to be enough for you to get a visa. I think for a considerable amount of time for the foreseeable future, we are not going to see a massive shift towards online, I know that is everybody is talking about, also in Denmark, I have many discussion with tourist authorities in Denmark about this, because quite obviously, you know, 85% or more percent of people in China
are still purchase offline, even though we are talking about the millionaire segment. It’s such a small segment for Europe still, it might be bigger in the future, but right now, it is such a tiny, tiny part of it, to place your hopes, your dreams and your development of the company, and your money on going for such a small segment, in my opinion, it’s not worth it, it’s much better to broadly target a number of agents in China. And then what can do with the online marketing is that you can use their platforms instead of building your own, you can use their platforms to send out your material, it will work much faster, and be a lot cheaper than doing a lot of stuff on your own. I think we have seen some examples in Scandinavian, including Denmark, where certain areas about country are bet very hard online and we’ve seen it didn’t work.

W: I see.

C: So, for me, it was not even a real discussion anymore, I mean it’s been clearly improve in last two years that offline is still works better than online I think we are slowly catching up to that with Denmark right now.

W: So, based on your experience and your knowledge, it's not going to change in the future, and will keep as the same.

C: It is not going to change a lot in the near future, no. where I mainly see online, you know booking system and information system being used for less, you know, use it for what it is, generates some interests, do some branding in China for a country like Denmark, that will be very good idea to do. But for actual sales, I think it’s going to be a lot harder to achieve, you know, tangible goals with only technology and with only online, you know, system.

W: Oh, I didn’t see that earlier.

C: I am not saying it won’t help, but we have to do things in different ways. I don’t know if you heard about Baidu Map that Denmark is doing now.

W: Oh that collaboration between the app and Denmark tourism destination.

C: Exactly, corporation with Baidu Maps to put many focus on destinations in Denmark. And although I think it is a very good idea overall, I think it will be a very long time before it becomes to effective, because quite simply, Chinese person on a Chinese mobile going to Denmark and going to say, Aarhus, they are most like not going to download Baidu Maps and spend money to find a nearby restaurants, so in that case I think technology might actually be use a little bit in a wrong way.

W: Oh, I see.

C: And, ha... I know where I see technology been very helpful is this something we work with our partners, especially in Jutland, where we work with some of the tourist destinations that they are, for instance, to have WeChat or AliPay payment in the hotel.

W: Yes, I’ve seen many.

C: In the mini bar, in the room. I think that will help to sales, so that specific areas where you can use technology to improve your turnover, in the hotel or in the restaurant.
W: There are also some shopping malls in Denmark are using this function, I mean technology, like Illum in Copenhagen, that tourists can pay by AliPay through their mobiles.

C: So, that I think could be very helpful. Because that eliminates the need to go to the bank and change money and all these things that what you really want to do. But if we are talking overall, you know, if they pay with WeChat in the hotel, that’s great, but how do we get them to the hotel, and for that WeChat is not going to be very helpful, then you have to do all fine marketing. So, I think, for technology, it’s more for a questionable offering solutions when the travelers are in the destinations but it’s not going to attract the travelers to the destinations.

W: Okay. Because another thing I saw very interesting to me is that when I was in Shanghai during Christmas and winter holiday, lots of people are now using apps for Mobike, that is something new in China and I also think it is a very innovative, disruptive product over the other countries. And it is very new and attracting more and more users every day.

C: Yes, I guess you could say that it is a disruptive factor that Mobike and another one, what’s the name?

W: Ofo Bicycle.

C: Ofo, all of these, there are 15 different companies now.

W: You are right.

C: The problem is now, from my perspective, for instance, Mobike, they are funded by 300 million dollars, you know, venture capital, money, what do you call it, funding company, right. Up to now, they are losing money, they are not making any money, they are spending millions of dollars a month, trying to fight this war with the other bike companies. So, in terms of disruptions, what has done mainly, it has mainly done the facts that it’s near impossible to walk around the walk ways in Shanghai, because they are too many bikes everywhere now. But in terms of being a true genuine disruptor, I honestly don’t see it, you know, it’s a company funded venture capital of the next 10, 20 year, they will lose money continuously. And then you know, they it starts to lose some of the, I guess, for me, personally, any way…anybody can do something and go in the press, open China in the …. If I get 300 million dollars, I can do a project looks very good, but it doesn’t work in the details of it.

W: Okay.

C: It doesn’t work as what they said they do. I don’t see the great, and I am wait and see the Chinese government to come out with the policies regarding this item, maybe from the Chinese government as well. Maybe the expansions will be more difficult than it is right now, etc., etc., you know.

W: I see.

C: I see every morning at the metro station where I live, a truck comes up and just start taking bikes, so, you know, right next to the metro station, they just start to take away, because there are too many now.

W: Okay.

C: So, I don’t see the disruption fact to be so much anymore.
W: So, government will probably play a role to promote or resist disruption or just say technology in tourism industry.

C: For sure, for sure it will, especially in the country like China you know, they will be... they will have very broad impact on what’s being done now. Policies in general, we are seen now, you know, what is disrupting the Chinese tourism industry right now will mainly actually the policy that the government, you know, Xi Jinping has been out and saying a few times now need to do culture, you know... haha...

W: Also, soft power.

C: Yes, exactly, you know, become a little bit more quality conscious in China. As you know, when Xi says this kind of this thing, then everyone starts to do this, because it comes from the big leader in Beijing.

W: What do you mean by that?

C: That means that we are seeing right now a massive, massive search for children, culture and educational travel products.

W: Okay.

C: I think that’s much more disruptive than any of the technology we were talking about.

W: I see.

C: 2-3 months later, we can immediately in the industry see products come out that have been change to fit what he said during the speeches, right?

W: Haha...that’s good.

C: So, some of these are much much more disruptive than I think for instance for Airbnb is. Airbnb, I don’t see it being very disruptive. Basically, they are taking old wine and pulling into new bottles, it’s a different way of staying overnight somewhere.

W: Okay.

C: But the idea, the core product, sleeping somewhere in a city you are in has not changed for a 100s of years, it’s still a way to sleep, you know.

W: Yes

C: It’s just the way that you might book has changed a little bit, but they have not disrupted in my opinion any way that the hotel industry... the hotels also have apps, the hotels also have a way that you can book online, etc. So, what Airbnb has done basically is to just offer yet another channel of solving your overnight problem when you are go somewhere on holiday or business.

W: Okay. But what about Uber then? Since in China, there is obviously a huge market and it did actually been adapted to Chinese market in order to do business. And different apps like Didi Chuxing and plenty of the other same functional apps have adopt the idea that Uber can provide, took the core idea and do the business in a Chinese way. Is this kind of disruptive? What do you think?

C: Yes, I mean... I don’t know... I mean, disrupted the taxi industry in the certain way, so now no non-Chinese-speaking foreigners can take the cab anymore, that’s one problem. Haha...
W: Haha…
C: And then, the other problem is that all of these cab drivers around look like they are empty, but in reality, they have been booked somewhere.
W: I see.
C: But again, the core product has not been changed, you take a taxi, from A to B, has not changed, you know. It’s quite simply the way you have booked the taxi has changed, before you went to the street and wave your hand, now you are sitting in your apartment and book a taxi and then you go down to the street. So, it’s the purchase of the service has changed, the core service, driving you from this house to that house is the same as always. The only thing I would say is, if we have to talk about disruption, the companies like Didi, and what are they called… Yidao, and all of these apps for taxies. What they have done is they have lowered the quality of the service because since so many people are now signing up to these services to get the taxi drivers in Shanghai, that you know, they are not driving in Shanghai normally.
W: What do you mean by that?
C: And that means that they have a harder time finding their way and… less of them speak Mandarin Chinese, etc, etc. So, it’s just become little bit more…how to say, unreliable to use taxi service once you on a taxi.
W: Oh, I didn’t see that.
C: Yea, so, I am sorry to say like this, I just don’t see them as very big disruptors. You know, they are changing the ways that you can use the service, but they are not changing the service itself. You know what I mean?
W: Yes, definitely. I get it, especially when talking about what disruption is, people have different opinions. Some think Uber is a disruption, and some don’t. That is worth to discuss it.
C: I mean, I don’t know when you choose Didi, you can choose taxi or private car. I usually choose taxi, then I can get fapiao, a receipt.
W: That’s right.
C: If you get one of the private ones, you can only use it for private driving, you know.
W: Okay.
C: If you need to get your receipt to the company, you can’t even use the private Uber service, or Didi, Uber, whatever they call it now, you know.
W: I get it.
C: So, that means that we are limit to still just use the normal taxies, and that means the only thing that change is the way we book it, you know.
W: Okay.
C: And then they have cut out all the non-Chinese-speaking forefingers because they can’t use the apps. Haha…
W: Yes, that’s a challenge.
C: Yes, it’s actually, for the expat community here you should try come by and see, a lot of people are very annoyed by this now, because it is impossible to go to the street and wave down a taxi any more.

W: Yes, that makes sense. And it might also become a challenge for the old people since they barely knowing how to get a taxi by using an app.

C: So, I guess technology has some influence, I just don’t see it as a strong…you know when I read the Danish newspaper… When I go on LinkedIn and see these weird things people put on, “Now it is happening in China”, “Now Mobike and Didi are doing these crazy things…” It’s true, but they are not actually changing that much, it’s the same, we still driving around in the same old taxies, you know. It’s just the different way using the service basically.

W: Yes, that’s true.

C: Yes, exactly, I think we seen a lot, more and more Chinese of course, go and search online for information about the foreign country they want to go to. So, in that way, you could say, technology is helping a little bit. But since most of them look online and go to an agency to book, then I would not call it a disruption, I would more call it a help because people go online to do research and then they ask us “can we do this kind of tour”. And that means that part of the explanations why should we choose this, this and this nation is not up to the agent any more, now the people can just look it up online and decide what they want to do. So, in that way, it helps a little bit, in a positive way because work to be done by the travel agencies is maybe little bit less right now. Yes… But as a long as people continue to book, especially trip to Europe and Denmark which is so expensive… As long as they continue to book offline, and to go to agencies and book them, then technology would not have such a great influence, maybe this will change in the future, who knows, but… right now, for the next 3 or 5 years, 5 or 10 years, this is not going to change very much.

W: Okay…

C: And that means, even though technology can help us, it will not do… it will not disrupt the travel industry in any big way. And I can tell you Wenjun, you know, for every time on LinkedIn we read now, some hotel in Europe they are having great success with their WeChat attracting Chinese tourists, for each one of those, you have a thousand hotels will try to do the same and didn’t become a success because it’s impossible to market yourself basically… online…

W: Okay, that’s really good to hear, since it’s different from what I read from the internet and newspaper.

C: Yes, don’t believe anything you read from Danish newspaper, it’s more or less wrong of what all they write. The thing is just, you know, I’ve been speaking a lot with these so-called “WeChat experts” over here in Shanghai, and every time I go to a meeting or presentation or something, everybody says like oh, you know, online is a big thing in Shanghai, everybody should go on WeChat or Weibo do this and this. And I am like, if we do it, we can’t all be number one, that’s logic, you know, that’s math. So, Baidu search engine, somebody has to be number 1,000 or number 1 million on that, and they will never get any business.

W: Correct.
C: So, it works for a few, but for the vast majority, they still have to go through the traditional channels. And technology this sense has not done such much to change over the last few years. You know, it’s… it’s almost impossible to become success on WeChat. And for every time we hear a successful story, there is literally 100,000 unsuccessful persons who tried to do the same. And then it’s… Like I mentioned, Mobike, yea, okay, Mobike is big ride now, but only because they got 300 million dollars from investors. You know, for anybody can become a big company if they get 300 million dollars, yes, what it is, it’s almost 2 billion RMB. You know… or whatever it is, you know.
W: They’ve got lots of money from venture capitals.
C: It’s just crazy numbers.
W: I see.
C: Ah, and then I think the original meaning of the word the disruption was not to say who could get the most money and try outcome compete everybody, right?
W: Yes, exactly.
C: The original meaning of disruption was something that general went in and change the industry. As far as I understand. And I don’t see Mobike changing any industry, there wasn’t a free bike tour industry before, you know. Didi and Uber went taxies, it’s still the same industry and it’s just change the way you book it.
W: Okay.
C: You know. Airbnb, it’s still buying an overnight stay, what Airbnb bas done is they have cut out the travel agency. But Airbnb for sure is also making money on it. So, it’s just a different sales channels. And maybe you have more choices to sleep privately of course. But the core of the product, going in a taxi from A to B, or sleeping overnight in your destination is still the same. You know, I don’t see very much, you know, incredibly new things actually going on with those and to call Airbnb or Uber as disruptive company, I strongly disagree with. To be honest.
Appendix 2 Interview with Christy Chen Moeller

Introduction

The interviewee, Christy Chen Moeller, who is the owner of ChinaBase Travel. The interview was held by telephone interview on April 17, 2017. The interview was conducted in Mandarin Chinese and has been freely translated to English. The interview lasted for 15 minutes.

Participants:

W = Wenjun Zhao (interviewer)
C = Christy Chen Moeller (interviewee)

W: Is it okay that I record the interview so that I can transcribe it later?
C: Sure.
W: Thanks.
C: Do I need to speak in English?
W: It’s fine if you would prefer Chinese.
W: Shall we start?
C: Yep, I am ready.
W: So, the purpose of interview is that I would like to hear your opinion that what role is technology playing for Chinese tourist organizations and your business today, and for the tourists themselves? And how the Chinese tourism industry is likely to respond to disruptions in the future.
C: Okay. And I am also aware that this information required lots more knowledge professionals to answer, so I will answer your questions based on my side.
W: Yes, thank you. That will be great. So, would you mind give an introduction first?
C: My name is Christy Chen Moeller and I am the owner of ChinaBase Travel. My company is DMO, a destination management company. You know we provide service to the clients who would access the Chinese tourism market. Besides that, the business also provide high-end tourist products, tailor-made products that targeting certain customers.
W: Okay. As you might know, Chinese government is quite supportive in many industries, to be align with the policy, let’s say, to be align with Xi’s “Chinese Dream” speech. For example, the Fin-tech got much attention from the country and there is huge market and business going on in China.
C: Yes, because of the supportive law and regulations, consumers are more relying on the mobile technology like AliPay. People, especially the young generations now would prefer more to do finance over the mobile, through these apps over the traditional banks. I totally agree.
W: Yes.
C: And I would like to tell you some big environment from my perspective.
W: Yes.
C: Just image 10, 15 years ago, how long it took from Shanghai to Suzhou, from Shanghai to Hangzhou?
W: Like few hours.
C: Correct, right now it only takes 30 minutes to go by train to Hangzhou, instead of one train each day, I think they are now have train every hour, and mostly fully booked.
W: I see.
C: You know what I mean is there are much more tourists compare to 5, 10 years ago. And people have much more different choices now in terms of how they go on a holiday. People drive on their own, team up with strangers, join a tour group… We used to have 50 million tourists out of 1.3 billion Chinese population. But right now, the figures of the Chinese tourists have increased to 300 million. Therefore, it is very difficult to meet up the rapid growth of the current demands if we are still doing business in the same old way, in another way, the traditional market is too old, too inefficient to support the new demand.
W: I see.
C: The resources we had are really limited, and Chinese government have to support the development of the industry by implying new regulations. Especially the peer-to-peer business, you know, otherwise, it would be difficult to improve the industry. The whole environment stimulates the government in coming up with new regulations and thus to provide a platform where companies are able to do business, to meet up the increasing volume.
W: I see.
C: From my point of view, our company’s concentration has always been focusing on inbound tourism since 1999, an inbound agent. The peak year was from year 2006 to 2010, due to Beijing Olympics Games in 2008 and Shanghai Expo in 2010.
W: Right.
C: During those years, the business was very good, just think about it, how many tourists come to visit Beijing, just this one single city in that summer.
W: I see.
C: Our main target is high-end market and tailor-made inbound market, so we are not able to reach the bottom of the pyramid, however, we started to talk to the overseas market much earlier than most of the other agents did.
W: Okay.
C: After 2010, the demand was deceasing a lot from the overseas market, however, the domestic requests started to boom. Not just for our company, but the whole industry. The well-known digital platforms you have heard about are mostly born during those year, Mafengwo, Lvmama… the platform and apps are very popular among the majority public. And these platforms are just like “bamboo shoots after the rain”, grows very fast.
If there is no Mafengwo, Qunar or Lvmama, there will be other disruptors in tourism industry. Technology is a trend.

W: Right.

C: And, also, you know, it is good to have our own Chinese platforms since some of the others are blocked in China.

W: Correct.

C: Also, there are huge gap between the domestic consumers and overseas consumers. I would say the gap is like 20, 30 years. Most people are using these platforms searching for cheap flight tickets and tour packages at a performance-price ratio, comparing price from this website to another one. I personally believe that the trend is going to change within a very few years, and people will overlook the tailor-made trips.

W: I see. Now as we are talking about different platforms, what role is technology playing for Chinese tourist organizations today, and for the tourists themselves?

C: As you know, the inbound business decreases a lot which had impacted our business, therefore we started to follow the flow on creating our own platform. WeChat is a good tool.

W: What content do you use to market your business on WeChat? Since there are plenty of companies are using it as a tool.

C: The company is organizing different events through the platforms, like the online mobile photos contest, we have organized it three years in the row.

W: I know that one.

C: As the development of the technology and the penetration of use of disruptive digital platforms, the way we do marketing also changes. You can see the online mobile photos contest and our bike trips through live video streaming platforms. Of course, we are doing advisement, but moreover, we would like to show people that we are one of the advanced companies that involve these disruptive digital platforms. The traditional price battle won’t work for consumers nowadays, it is not convincing that much if this hotel is cheaper than another one, or our service is better than the others, it just won’t work. We need to show them that we are leading the industry and to get more attentions.

W: How do the clients accept it?

C: Oh, it’s quite acceptable, and we have many followers on WeChat. It is the same business we have been doing since 10 years ago, it has always been the high-end tailor-made small group tour, but the way we do business is obviously different now, and the target group changed from overseas to domestic.

W: I understand, but do you have a physical travel agent where you can communicate with your clients like face to face?

C: No, we never have that. We have vendors that we work with over the years. The hotels, the transportation, and the tour guide if needed.
W: What role does the government play in regard to promoting or resisting technology in tourism? Are there any state-owned organizations or companies involved?
C: To be honest, 15, 20 years ago, when I started this company, Chinese government rarely have a clue about what we are doing and how we are going to do business. Because you know, not a lot of companies were doing this by then. And there was no law to regulate the business. But now, as the business expanded, the government came up with some regulations to rule the market. It is not bad, but it somehow narrow down the outside business forces come into the Chinese market. But in another way, we, as a Chinese company could do more about it.
Appendix 3 Interview with Daniel Schmidt

Introduction
The interviewee, Daniel Schmidt, is consultant in Monitor Deloitte. The interview was held as a face to face interview in a café on April 23, 2017. The interview was conducted in English and lasted for 30 minutes.

Participants:
W = Wenjun Zhao (interviewer)
D = Daniel Schmidt (interviewee)

W: Is it okay that I record the interview so that I can transcribe it?
D: Yes.
W: Thanks. So, can you introduce yourself?
D: Yes.
W: And your background and your exposure to China?
D: Okay. So, my name is Daniel Schmidt and I am working at Monitor Deloitte where I have been working for one year. I work with technology, and disruption and digital strategy. Before being a consultant, I have been working for 3 years in China at different Danish companies. First at Maersk Line, later at Novo Nordisk and ECCO.
W: Okay.
D: Yes… And I guess relevant for this project is also that I have been studying innovation at Harvard in the US earlier on. Yea, I guess that’s the short story.
W: Okay. So, as you have been lived in both Denmark and China, so, from your perspective, are there any new disruptive technologies in China differed from those in the West?
D: Yes, in China, there are a lot of technologies that are not present in the West.
W: Yes…
D: For instance, I think… WeChat is a good example as a social media platform where you can transfer your money, you can pay your taxi, you can order your taxi, you can order food. There is basically not anything that you can not do with your WeChat, you can even make… you can even make investments. I think that is one of the things that are not available in the West.
W: Okay.
D: Yes… If we look the other way around, of course there is something are blocked in China. But you know Google, and Facebook, and Twitter and so on. But China seem to have their own version of all these things, and then just adapt it to the Chinese requirements.
W: Okay, but why do you think is like that? Is that because of China, as a lot of Western said, China is a copycat?
D: First of all, it’s not been easy for Western technologies to come in to China. For instance, Facebook and Google, they are basically blocked in China, so, they can not get any market there. And that’s because of the government policies in the country. Besides that, I think the Chinese demand is much different from that in the West, which means that it’s difficult just to take one product that works in the West and apply it in China. We saw this for instance with Uber, which had a project that works pretty well in the West, but when they came to China, they were already too late and Chinese didn’t want to use this product and they didn’t see good value in it. So, Uber had to give a lot of discount and basically take a lot of losses in China and go into price competition with the existing players. Yes.

W: Yes, I see. So, talking about the demand, as you mentioned, in China we have this kind of demand. So, how do you see economic drives the disruptions from the West and from China? For example, from Denmark and from China?

D: Can you repeat that? I am not sure I understood.

W: How do you see economic drives the disruptions?

D: Okay, do you mean how the economy and disruption is related?

W: Yes.

D: Okay… I think, one way, this is mostly related, is that if you have a strong economy, you usually also have a lot of money to invest in developing technologies. These technologies are very expensive to develop.

W: Okay.

D: For instance, Uber is taking massive billion dollars’ losses ever year, so it’s very expensive, so you need to have a lot of investors to put money into this. Besides from that, of course if you have a strong economy, there is more demand from the consumers. And many of these technologies depend on advertising, so if you have a strong economy, there is also more advertising money, and then it’s easier for these kinds of products to work.

W: Okay, so do you think, are Chinese companies good at examine the market?

D: What do you mean?

W: As you mentioned, it is expensive to develop the technology, so it requires lots of investors to put money in developing the technologies. But the companies also need to examine the market to see if the consumers really need these new technologies, and then there will be investors would like to invest.

D: Okay.

W: So, are Chinese companies good at that? To examine the market? As you have been working in both Denmark and China.

D: So, I think in China, you need to distinguish between two types of companies. They are the state-owned companies and the private companies.

W: Okay.

D: The state-owned companies basically have some requirements set by the government, and target set by the government, and not by the market. So, for instance, the state-owned banks, they just need to make sure to
land out a certain amount of money, to a certain interest rate, to certain clients. They don’t have to care about if the customers are happy or not.

W: They don’t care about the service.

D: Correct. There is no need to put the focus on the service, or develop new products to the customers because basically, the customers don’t have any choice, they have to use the state-owned banks. So why should they develop anything new?

W: We don’t have private banks in China, I mean the local Chinese private bank.

D: Yes, that’s what I mean. There is only… it’s very… it’s very hard for consumers to choose something different.

W: Okay.

D: So why should the banks spend a lot of money on developing something?

W: Okay.

D: But then, on the other hand, there are some private companies, and especially the tech companies like Alibaba, Tencent, Baidu, Xiaomi, they have a lot of focus on what the customers actually want. So, for instance, Xiaomi, they are sending out new update on their phones every week instead of what Apple do, every year. Because Xiaomi, they are listening to their customers, and they develop something new for that week.

W: Okay.

D: So, I think, when you look at this, you need to look at these two different groups, the state-owned and the private companies.

W: So, do you mean the Chinese companies, especially the private Chinese companies are good at look through consumers’ eye?

D: Yes, but not the state-owned companies, yea.

W: But compare to Denmark, do you think are those Chinese private companies pacing up with those in the West? Or are they doing even better?

D: It’s hard to say if they are more consumer focused. But I think they are much more aware that there are specific Chinese demand and they are much faster at developing something that the Chinese want.

W: Okay. In your previous working experiences with Danish companies or international companies, were there any difference in terms of the policy making in disruption?

D: You mean?

W: From the company.

D: The company policies?

W: Yes, the company policies.

D: What do you mean?

W: If a company is putting lots of energy on against disruptors or the competitors in the new year vision, like a year plan.
D: I think, again, you have to distinguish it between state-owned and private companies.
W: Okay.
D: The state-owned companies they basically don’t care too much about the competition because they basically don’t have any competition, they are protected by law.
W: Okay.
D: Whereas the private companies they care a lot about competition, there are so many companies in China, there are global companies, so they constantly need to develop new things. And I think if you go to cities like Beijing, and the tech area in Beijing and Shenzhen, then there are lots of startups that work really hard on developing new products. And they are not afraid to starting something new, even if this does not seem to make a lot of money in the first place, because they know once they find something people like, there is one billion people who will buy it. So, it’s okay to have lots of failures, but then… they are trying to go for the jackpot later on.
W: And I also know most innovation, disruptions require for a big amount of investments.
D: Yes.
W: So, my follow up question is about the venture capital. Many startups, as we know that they are very successful right now is because of they got a lot of investment, the venture capitals.
D: Yes.
W: So, how do you see it? I mean, is there any differences in venture capitals from Denmark or from China?
D: All right… Well, there is a very strong private venture capitals scene in China.
W: Okay.
D: Much stronger than in Denmark, but probably not as strong as in the US. So, there are a lot of companies invest in startups. Yes…for instance, I have a contact who is now living in Beijing, working for venture capital, and focusing on robotics and Industry 4.0. And he says that there are a lot of money throwing into this kind of areas.
W: So, does that means people are more aware of investing in startups as an investment in China? Or, do they think technology is going to be potential in terms of investment?
D: We have to consider that in China, the financial system is not open, that means, people can not just easily move their money outside of the country. So, that means, when some people have saved money, they can not put it into stocks in… for instance, they can not buy stocks in Apple, because Apple is listed in the US. And Chinese can only invest in things that are in China. So, if they want a good return on their savings, sometimes, they need to invest in some financial products, and this could be venture capital. So, basically, it’s not that… I don’t think it’s Chinese think that it’s important to invest a lot of money, but basically, they have no choice. They can only invest in Chinese products.
W: So, do you think is it the Chinese people have too much money to create this phenomenon?
D: No, I didn’t say that Chinese have too much money. But, there are a lot of money, and people save a lot of money in China because they are uncertain about what will happen in the future and when they grow old. And those savings need to be invested in somewhere.

W: Okay, in a good way.

D: Yes. Well, as long as… as long as the investment gives some good return, then it’s of course good. But if they invest in new bridges and new airports, and they don’t need new bridges and new airports, then the money is lost in the end.

W: Okay. When we talked about the disruptions and technologies, it’s also important to measure the environment. Especially if the local government is supportive. So how do you see the force of law & regulations stimulate disruptions or stop one industry being disrupted by these outside forces (in China and in Denmark)?

D: Yes… well, for instance, again in China, it’s not possible for some financial service companies to come into China and disrupt the market, because market, the banking market is protected by law.

W: Okay.

D: So, basically disruption can only happen when the Chinese government allows it to happen.

W: Okay.

D: And there is quite some evidence now that the Chinese government want a lot of disruption to happen, in E-commerce, and in everything related to consumer credits. Because they want to boost the Chinese consumption. So, they allow companies like Tencent, and Alibaba to open up banks, but they would never allow Facebook to open up a bank in China.

W: Okay, so basically, they just want to people to spend more money.

D: Yes, they want people to spend money instead of saving money, and that’s why the choose some areas where disruption is okay, and other areas where disruption is not okay.

W: So, it is about China, what do you think of Denmark?

D: Yea… well, now recently we have of course the Uber case, yea… where Uber and similar services were restricted from operating in Denmark due to the law, so, they have to close down. So, of course that also has something to say. And now I know that the mayor of Copenhagen is also looking into Airbnb, he wants less Airbnb because he thinks it destroys the…

W: The local hotel business, hospitality industry?

D: Yea… yea, maybe the hospitality industry, but also just he thinks it forces up the price of the apartment, so that the normal people can not afford an apartment, anymore. So, if he can makes some ruling about Airbnb, then of course that’s also gonna impact their abilities to conduct business.

W: Okay, so, because this law and regulations, do you think that would influence the business in general?

D: Yes.

W: No just the tourism industry, but the others?
D: Yea, well, I am not so sure about the disruption in tourism, but disruption in general will be impacted by the law and regulation, yes.

W: Okay. About the innovativeness, like technology is playing an important role in disruption. So, yes… for you, as a business person, what role do you think technology is play in business today? And, as a tourist yourself, what do you think?

D: Technology is playing a huge role in business, and it's gonna be more and more in the future. So, I think on top of every CEO agenda these days are the digital agenda.

W: What do you mean by that?

D: Every… all companies are talking about technology and digital, and there is a clear trend that this is gonna be even more so, and in the future. So, for tourism, I think technology is probably also gonna be more and more important. But, it’s hard to tell exactly how this is gonna play out, is this gonna be some virtual reality and people don’t travel anymore? Or, it’s just gonna be more Airbnb and TripAdvisor, and this kind of platforms? Or it’s gonna be something completely else, Bitcoin or Blockchain or something else? That’s hard to say. But definitely, technology is gonna be more and more important.

W: Has technology gained larger role in recent years in Chinese business?

D: Yea… yes, it has so too, especially now as the government is allowing some of these technology companies to influence more and more of other areas of the economy, including banking. Then technology is becoming more and more important.

W: Okay. Another question is about Mobike, have you heard of Mobike?

D: Yes, the bike sharing system in China.

W: Yes, I don't know if you have ever used this one before.

D: No, I have not.

W: Okay, it is because a lot of Chinese are using sharing economy like Mobike and Airbnb and those “Chinese Ubers”. Do you think we are going to see more of these sharing economy platforms in the future? Like Mobike and Airbnb?

D: Yes, definitely. I think there is gonna be more and more of that, for different reasons. First of all, the technology is becoming better, I think more countries are gonna do more and better regulations regarding this sharing economy platforms, so, it’s gonna be easier for them. Now I lost the thread… yea, also because of the environment is gonna be more and more important, so every time you can share one resource, of course that’s much better for the environment. So, if more people can share the same home through Airbnb, that’s better than building new hotels, or if more people can share cars through Uber, that’s better than building more taxies, and bike, and so on.

W: Okay.

D: So, I think we are going to see more and more of these.
W: Okay, that’s good. But what are the challenges you think and see in business is facing caused by the disruption? By the technology?
D: Well, of course any industries that has not been disrupted yet must be afraid that they will one day be disputed.
W: Do you have a guess?
D: Well, I think any industry is not yet digital should be thinking about how will this industry one day be digital. For instance, you could look at shipping or container shipping, and that’s not an industry you think would become digital.
W: No.
D: But what happens now is that Maersk Line have made a partnership with Alibaba.
W: Okay.
D: For making this digital. Of course, this is still gonna be the physical transport, but the whole ecosystem around it is gonna be much more digital.
W: Okay.
D: And what happens once we have 3D printers, do they need to manufacture things in Asia, and ship to the US? Or can they just produce in the US the first place? So, shipping is, even though it’s a very traditional industry, it’s also gonna be disrupted these years. So, I think, pretty much any industry not disrupted yet should be considering this.
W: But as a consultant, from your perspective, how will they respond to it?
D: Yes… there are different ways to respond. Some companies will respond by putting digital on top of their agenda, and they can do that by either investing a lot in IT systems and digital platforms. Some of the big companies are also investing in startups, to learn from the startups, or perhaps they are creating their own startups outside of their own company. Kinda of like in a small team work, people can work outside of the company, on some new projects. But there are also other types of companies which are basically just thinking this is never gonna happen to me, and just ignoring the facts and not doing anything. And my guess is one day, maybe they will die.
W: Like a lot of companies, like Kodak, they never…
D: Like Kodak, yea, that’s perhaps the best example of the company that ignored digital…
W: Power.
D: Power, yea. Even though they invented the digital camera.
W: Okay… So, some companies respond it, some companies think they are successful, so, how do companies measure their success? I mean, probably in the case of Kodak, they think they are good enough, they don’t want to invest too much on the digital by then, is that…
D: Yea, that’s a big thing when you talk about disruption, that some of these, if a company is measuring its success in one way and ignore other ways of measuring success, then there is a potential for disruption. For
instance, let’s talk about Maersk again. If they only talk about how many billion US dollars can a new business generate, because they… to make it interesting for Maersk, they need billions of dollars. But then if there is a new opportunity, where they can only earn 10 million US dollars, then they might just ignore that. But then after some years, when this opportunity grows bigger, that is what might… in the end turn… disrupt Maersk. So, that is exactly what happened in Kodak, they looked at this digital camera that they invented, and they said, well, is not really good quality, the business opportunity here is very small, it’s just a few million, we can sell all of these, let’s don’t do that. And then instead, they focus on their old businesses, which was much bigger that time. But as the digital camera improved, it took away their old business completely.

W: But I mean, how would they know that it’s gonna be a big shot in the future?
D: Well, often you can not know. But you just need to invest in some of these technologies anyway, and I think the best practise here is to have some gates along that innovation pipeline where you say ‘Is this still interesting? Do we still see huge potential in this?’ And if there is not, then of course, sometimes you will have to drop an innovation.

W: So, do you think it is the same from China and from Denmark?
D: Yea… basically, yes, I think this is the same. And back to what we talked about, with state-owned companies, they are measuring their own success in some political way.

W: Revenue?
D: So, yea, maybe revenue, maybe how many people they are employed, or how many loans they have gave out. But not on something else. So, for them, the small startups might not be interesting at all.
W: Okay.
D: But one day, one of these small startups might be so big that they will kill all the banks.
W: Let’s don’t hope so.
D: Well, well, if it happens is because it’s better than the banks, so, I think disruption is always good.
W: Okay, one of the most important aspects within disruption is people, I think. I don’t know what you think, but if there is not people, no talents, there will be no new technology; And if there is no technology, then the disruption is just basically an empty talk.
D: Yes.
W: So, how do you see this?
D: Yea, I completely agree. People is very important when you develop any new technology. And I think China have a lot of people who are capable of doing this just like any other country have. Well, perhaps, yea, China is among the leading counties in terms of innovation they are, at least they are having the most patents in the world. Yea, so this is very important for any economy to have innovation. I agree.
W: What’s the different from Denmark and from China in this?
D: In terms of people?
W: Yea, in terms of people.
D: Well, I think ah… over all, the biggest difference is that China has much more people.
W: Yes.
D: Em… whereas, I think in general, if you take the average Danish graduate students, they probably have a little bit more thinking out of the box capabilities, so I think in the Danish university is, you are now also attending, you learn a bit more of to think out of the box, compared to China.
W: Okay. Last question, what role does the government play in regards to promoting or resisting technology in business? From your perspective?
D: Well, we already talked about a little bit about the law and regulation. Of course, that’s important. If something is illegal, then it’s very difficult to operate the business. But the government also have many other important roles, in my opinions. First of all, the government must lay the infrastructure for having an innovative country, so that means they need good universities with good people as you also mentioned. And, they need a good tax system for the companies to invest innovation. And then I think the interaction between universities and private companies is also very important. And last of all, yea… I think, well, over all, government have a lot of influence, that’s why we see so much lobbyism in many countries, I am not sure how much is there of these in China, but at least in the US, that’s a lot of very obvious lobbyism. I think that is the same in China, but it’s not that obvious, it’s not lobbyism is to do, is more like, you know the Chinese “Guanxi” (relationship) in between companies and the government. So, in China, it’s much more having good connections and the in the West is much more about lobbyism.
Appendix 4 Interview with Martin Pedersen

Introduction
The interviewee, Martin Pedersen, who is project manager at Innovation Centre Denmark in Shanghai. The interview was held by telephone interview on April 24, 2017. The interview was conducted in English and lasted for 25 minutes.

Participants:
W = Wenjun Zhao (interviewer)  
M = Martin Pedersen (interviewee)

W: Can you introduce yourself?
M: My name is Martin Pedersen. I work at Innovation Centre Denmark in Shanghai where I work with Chinese and Danish companies on innovation and try to bring innovation to Denmark.
W: Okay. So, how long have you been working in Shanghai?
M: For one year, now.
W: Okay, since you are now living in Shanghai, is there any new disruptive technologies in China differed from those in the West?
M: Yea, there are a lot of different technologies that are… for instance, yea… do you know WeChat?
W: Yes.
M: Yea, through WeChat now you can get food and order taxi, also giving “hongbao” and so on.
W: Right.
M: There is also an app called Mobike, which is a biking sharing technology, which is quite interesting.
W: Okay. So, don’t you have these same kind of apps in Denmark.
M: I think Denmark have something similar, but not the same.
W: Okay. So, why do you think China has now developed so many disruptive technologies?
M: I think there are some companies trying to do something with the internet, I see there are lots of startups to tap into the Chinese market. So, in general, there are just a lot of companies trying to do this.
W: Do you think it is because of the Chinese companies are better in examining the market? So, they know what the customers really like to have?
M: Yea… I don’t know if they are better in that, but there are just so many customers in China, and it makes a lot of senses to try to develop something for them.
W: Do you think in this way, China is doing better than country like Denmark?
M: Ahh… I don’t know if it’s better or worse. But definitely, it’s different, because China is so much bigger.
W: Yea… When we talk about disruption, there are few different elements that stimulates in a country.
M: Yes.
W: Yea, to do disruptions or let’s say to develop the disruptive technologies. So, how do you see economic drives the disruption, from China and from the West?
M: Yes… Do you mean, how economy… what do you mean actually?
W: Like the demand and preferences, what are the differences?
M: Between Denmark and China?
W: Yea.
M: I think the demand is different because all of the technologies on the phones are different. Like in China, we have WeChat, in Denmark there is WhatsApp and Facebook. So, that is different.
W: Okay. And in your previous working experiences with the Danish companies and now in Innovation Centre in Shanghai, was there any differences in terms of the policy making in disruption?
M: The policy making in disruption, what do you mean?
W: Like, if the government is up for that or there have strict rules or they encourage the companies to do disruptions?
M: Yea, I think in China, there are lot of focus on developing these companies, the government really want to stimulate the E-commerce business.
W: Okay.
M: And people spend more money online.
W: Okay.
M: I think in Denmark, it’s a bit more traditional.
W: In which way, when you mean more traditional?
M: I mean the companies are more old-fashioned and there are not so many tech-companies in Denmark.
W: Okay, there are not. So, can I understand in this way that many foreigners come to Shanghai and look for jobs in Shanghai because there are more opportunities there? I mean there are more international companies and Chinese startups who would like to invest in technology?
M: No, I don’t think so. Because I think it’s very hard for foreigners to find a job in a Chinese tech-company, it’s only for Chinese people.
W: Okay, I see. So, how do you see that, do you see the force of law and regulations stimulate disruptions business being disrupted by these outside forces in China and in Denmark?
M: Okay… can you repeat the question again?
W: Like, do they, the government have a regulation that encourage the company in China or in Denmark to come up with disruptive products or services? Like tax beneficial to those companies?
M: No, I don’t think so. Of course, the relationship is important in China, some companies are related to the government.
W: What do you mean by that?
M: That of course is easier for them to operate.
W: But what about the forces of law to stop one industry? Have you seen something like that?
M: Definitely. They recently closed down Uber in Denmark.
W: Yes, Uber.
M: But besides that, I don’t know any other companies.
W: Now, about the venture capital, as you mentioned earlier, about the company Mobike, this is actually a company get funded by venture capital. So, do you think the environment is more open in China, in terms of venture capital?
M: No, I don’t think so. In China, you need to have a lot of connections in order to get venture capital, but in Denmark, it’s more like a free market.
W: Oh, that’s good to know.
M: Yea, in Denmark is more like a free market.
W: But why is it like that? Is it because of the political system?
M: Yea, I think that’s the reason. In China, I mean you need to know some people who have political power to be able to get money.
W: I see. But then in Denmark, if you have a good product, a good service, then it will be much easier to get funded by venture capital?
M: Of course, it’s not easier, but it does not depend on what family you come from.
W: Okay. But, then what role is technology playing for the business today?
M: I think it is playing larger and larger role.
W: Yea.
M: Technology is becoming more and more important in pretty much any aspects of the business.
W: What do you see innovativeness as one of the forces in the future? Are we gonna see a lot more of these?
M: Well, first of all, innovativeness is of course related to disruptions, as I can see, it’s basically the same thing.
W: Okay.
M: Secondly, yes, I think we will see more and more disruption, the computer is getting more and more powerful, that is one of the big drivers of disruptions and everything is getting digital.
W: I see. These two points. And what are the challenges the business is facing caused by the technology?
M: I think many companies are struggling to find out how to react to this, they maybe don’t have a company and they don’t know how to react it.
W: I see.
M: So, that is one challenge. And then I think many are struggling with how to build basically small startups inside the big company.
W: Okay.
M: And that’s also something that we are helping them with.
W: Okay, so you mean if the company from both China and Denmark…
M: Yes, both.
W: Since you have been cooperated with companies from both countries, China and Denmark. So, how to you think the companies measuring their success?
M: Do you mean the way they measure for the projects, or?
W: Like some of the companies just don’t think they need to develop themselves to meet the disruptive technologies? There is no need to challenge themselves, in their business model.
M: Yes.
W: The companies you have been cooperated with, they probably wanted to change something, what’s why they found you, Innovation Centre.
M: Yes. Many of them found it difficult to think like a startup. Because as a startup, you need to be ready to fail with a lot of projects.
W: I see.
M: Startups fail fast whereas big companies, they are used to spending millions of kroner on their particular projects to see if it works.
W: Okay.
M: As a startup, they need to work much faster.
W: So, do they, as a company, invest any talents to change this?
M: Yes, some of them, they invest a lot, do trainings and things like that, yea.
W: Okay. So, actually Innovation Centre Denmark is together with the Danish Embassy. What role does the government play in promoting the technology in business?
M: Well, yea, we are fully funded by the Danish government, so of course the government plays a big role in this part of the project, yea.
W: Okay, but what about the Chinese government? Do they also have influence since you are now in China?
M: Yea, in China, there is probably even more. Yea… the government basically decides the who is going to live and who is going to die, because they control the banks, and if a company can not get funding, it’s going to die.
W: Okay.
Appendix 5 Interview with Lasse Christian Buchert

Introduction

The interviewee, Lasse Christian Buchert, who is Trader at Flow Traders in Netherlands. The interview was held by telephone interview on May 1, 2017. The interview was conducted in English and lasted for 40 minutes.

Participants:

W = Wenjun Zhao (interviewer)
L = Lasse Christian Buchert (interviewee)

W: Can you introduce yourself and your background and your exposure to China?
L: Yes. My name is Lasse, I am from Denmark originally. Yea… I spend quite a bit of time in China over the years. Firstly, before I started the university, but then when I went to university where I was part of the GLOBE program at CBS, a sort of sub program of International Business, and students from Copenhagen, joins students from Hong Kong and the US.
W: Okay.
L: So, I studied a semester in Hong Kong, I also did half year internship at the Danish Royal Consulate General Hong Kong. And after my bachelor, I won a scholarship from Laurits Andersen of 120,000 Danish Kroners, studied Mandarin for one year, and that was in China. Yea… so, I went to study Chinese and passed the level of professional speak. And after my education, I worked one year in London at Goldman Sachs, that was after I finished my master in Oxford.
W: Okay.
L: And now I work in a high frequency trading in Amsterdam, for a company called Flow Traders.
W: Okay.
L: But more specifically with regards to China exposure, I think, travelling, studying, living, I spent a total of about 4 years. And made a lot of friends, worked a little bit over the years. So, I followed China quite closely, also now I have also interested in financial market. But also, when I studied in… during my part of the bachelors and my masters, probably, half of my classmates or so, are Chinese.
W: So, you know the Chinese communities quite well.
L: Yea, I think that’s a fair statement.
W: Okay. From your experiences living in China and now back in Europe, are there any new disruptive technologies in China differed from those in the West, like country of Denmark? And why is that?
L: Yea, I think when you say technology, generally speaking, that they are leveraging the same technology, but companies are doing so in different ways.
W: I see.
L: I think, to me, the interesting thing is that many people in Denmark grew up with the computers, and of course phones. But the impression I got from China is that the people have computers as well, but the smartphones penetration is just incredible. We are not just talking about young people, we are talking about poor farmers in the countryside.

W: Okay.

L: The grandparents, everybody has a smartphone.

W: I see.

L: That combined with the fact that China has a huge population density creates certain markets, and now in China, I remember my friend was saying “Everything you are doing for consumers if you have products, you need to be able to buy those products and access those products just by using your phone.” So, examples of that is that your mobile… that you can scan the QR code and find a bike, that’s much smarter than what we have in Europe. Yea… and another thing is, I think most of my friends have been lived in Chinese cities and they are doing their shop things and delivery. Yea… and basically, this combined with a fact that you live in an apartment where, there generally will be a guarder or something who can received anything you ordered, so that means, the whole need for having a shopping centre, a physical location for find a product... Of course, there is still a market for that, but online shopping is going much faster than it is in Europe. I know this from the time from the consulate as well, where there was a big focus on this and it was a big topic that they were trying to discuss how can we help Danish companies use this. So, I think online shopping or shopping on the phone is happening in a much much faster pace. This was confirmed last time when I was in China, I spoke to a few of my friends from Oxford who are in private equity.

W: Okay.

L: Private equity, the venture capital.

W: Yes.

L: Then they were telling me that this is also a big focusing in Beijing, unlike in other countries where you are focusing in [inaudible]. It’s like a lot of Chinese companies that are using technologies now are investing in leveraging existing technology, then applied in to consumer product.

W: Okay.

L: So, this is happening much faster than in Europe. This is my impression.

W: Okay, but then when you talk about venture capitals, do you think why is this phenomenon that there are a lot of companies are investing in technologies companies and are there any differences in venture capitals in China and Denmark?

L: Well, I don’t know what the big differences are, I think there are demographic differences which means these consumer apps, these apps that are allow consumers to purchase online are likely to be more successful in China.

W: Yea…
L: And one thing is smartphone penetration, meaning that there are lot of grandparents in China who have smartphones.
W: Okay?
L: Me now, being in Netherlands, if I go to a café, I don’t see people using phones all the time.
W: No.
L: If I go to the public park in China on a Sunday, I will see 70-year-old people sharing photos and playing apps and sending red envelopes to their other 70-year-old friends.
W: Yes, that’s interesting to see.
L: So, the fact that consumers in China are very accepting these new technologies, smartphones means that there is great potential for people or a company to try to use that technology to sell products.
W: I see.
L: That’s the first thing. But then, also the fact that you have population density the way you do.
W: What do you mean by that?
L: Means that if you want to… to deliver something in Denmark and we are talking small cities in Jutland, not very high population density.
W: No.
L: You probably… you know, it’s just more expensive to deliver the goods.
W: I know.
L: Whereas in China, in a big city, everything is nearby, that is a store called small peers, FamilyMart or something like where they can deliver, so the whole delivery market has a lot more potential and it’s much more developed.
W: Yes…
L: And that also means that people can use those services much more efficiently, much more conveniently than they can.
W: Okay. And you were talking about venture capitals before, the companies are much more willing to investing in those technology business is that because there is such a big demand in China, people are much more willing to use smartphones?
L: Well, I haven’t discussed these details with my friends but I am guessing most investments if… are expecting high return and you are then more likely to invest them. There are certain types of businesses that are more likely to be successful in China than they are in Denmark.
W: Okay.
L: Obviously, a lot of these technologies are also likely to be successful in Europe, but there are certain products for which, there will be greater market in China.
W: I see.
L: Because some of the facts that I just described.
W: Yes.
L: And, also, I think now when it comes to technology, there are lots of western companies that due to government restrictions haven’t gained the same access to the Chinese market.
W: No.
L: So, there is… Facebook, Google, WhatsApp is okay… and same thing for the many, many other tech products. So, there’s a lot of… there’s a lot of potential for other companies to go in and you know… and earn lots of money on these things.
W: Yea. So, because some of the apps or tech products got restricted in China, it kinds simulates Chinese companies to develop their own products that could fit for the China market, based on the Chinese consumer’s requirements. Do you see the connections between this?
L: Yea, I mean…I think it’s obvious when… if you have a government setting up restrictions for foreigners, to enter a market which would be very attractive without restrictions. That obviously means… that’s very potential for other companies to pick up that market share. So, yea, I think there is a lot of focus… and when you hear of a Chinese compare that selling online that might be there just a few companies that are really famous now but it’s not like it started just one company fighting to be a Facebook, you had a number of Chinese companies in the blog and social app things fighting to be the big one and later on you see consolidation and a few emerging winners. But obvious, the market becomes very attractive for Chinese and the foreigners are left out then and… then the price going down and there is still high demand.
W: So, what about these regulations and law going on in Denmark? Because some of the products are blocked in China, same as in Denmark, you don’t have Uber now. Is that like the same, that the government is playing a very important role in promoting or resisting technology in business?
L: I mean government, is always interesting for any kind of business, that’s not a Chinese phenomenon in itself. I haven’t followed the Uber case in Denmark so closely because I am not in Denmark.
W: Okay.
L: And I guess you could argue that they are trying to protect the taxi drivers. But I think the case in China is different because they are not really against the technology, it’s that the rather than having an American company doing it, they would prefer to have a Chinese company doing it.
W: Okay.
L: So, in China it’s not that the Uber failed and then the Chinese taxi drivers are doing business the same way they did 10 years ago, that’s not the case at all. Because, if I am not mistaken, Uber’s Chinese business was acquired by a Chinese company doing a similar thing.
W: Yea, Didi.
L: Yes. So, that’s very different than we are seeing in Denmark. You know, Facebook not being in China does not mean that there is not a Facebook equivalent and people are communicating the same way they did before
Facebook, it’s more that the… There is restricting certain foreign companies then… Chinese in some way are copycats, in some ways companies, that happened … and added services that are not seen in the West.

W: Okay.

L: We should look at WeChat, yea there are some people might say it’s a WhatsApp, but really it’s much more than that. And they are doing all that innovation. And that’s what I think… something happening now is quite big, a lot of tech companies have started from copying and now a lot of new features, and they are leveraging technologies in ways that are more suitable in the Chinese market, because it is different market than the western market.

W: But then are Chinese companies good at look through consumers’ eye? Or are Chinese companies good at examine the market?

L: Em… I think it’s difficult to say.

W: Yea… Because…

L: Yes, go on.

W: Because lots of people saying that China is a copycat, as you mentioned earlier, it’s actually more than just copying. There is more innovation on top of the products based on Chinese requirements, apart to the Chinese market.

L: I mean, there is absolutely no doubt that the Chinese companies that are successful are much more successful than they would have been without their competition. So, I am not gonna say that WeChat is…I mean they are successful only because of their own capabilities, they are also largely successful because of the government as I mentioned.

W: I see.

L: Em…. I mean, if you look at Taiwan, it’s interesting to see that you have at least, when I was there, Groupon was extremely successful.

W: What was that?

L: Groupon

W: Is that an app as well?

L: Yes, it's for... you get discounts. It’s a company where there were few guys, that I knew, were part of starting up in China and they failed in China. And even thought the concept that was very popular in China. Then a few Chinese copycats doing the same thing very successfully.

W: Okay.

L: Em… So, it’s just say that when Chinese copycats or new innovators succeed, it could very well be the… they do so, because the way they are doing analysis and creating a market, but it should also be said that they are successful, it’s definitely helping them development, the government intervention. That’s being seen.

W: Okay.
L: It’s not a level playing field. But one thing, there is not have to rule up the other, it can be successful partly because of the government intervention. But I think in the case of WeChat for instance, is very obvious, that they are also successful because, it’s a very intelligent company and that adding new brilliant features to the product as well.
W: Okay.
L: So, I am not gonna say that the intervention doesn’t have anything to do with their success, but at the same time, I think it’s evident, that a lot of these technologies are being leveraged in new and innovative ways as well.
W: Okay.
L: So, it’s not purely copycat companies that we are seen, it’s also new smart ways of the innovation.
W: Okay.
L: And, it’s probably smarter than what we are seeing western companies doing.
W: Okay. So, the government is also playing important role in promoting technology in business in general, not just resisting technology.
L: Yea yea, definitely. I mean, when I read the news and what I am hearing from people, how they are going to promote all these online payment systems, I think, you know, if you make sure that all buses and airports, so on, allow from mobile payments… That are of course, something have to be driven by individual companies but that’s also something the government can play a role at. I think I heard that now some of the few apps in China allow for mobile payment everywhere, and so, I mean that is obviously driven by government interest as well.
W: Yes.
L: Yes, government, I think it was Hangzhou Airport, I read that they are gonna make it possible to make mobile payment completely by next year something like that.
W: I see.
L: So, that is definitely driven by the government, so, there is no doubt they are pushing.
W: Okay. But then, what role is technology playing for business today? Has technology gained a larger role in the recent years in the Chinese business?
L: Well, I mean for any business, you have… you are trying to deliver a better product if you have resources, and I think the amazing thing for the world in general now is that the technology is improving very quickly and it allows for a lot of scale. And China now having, are facing an aging problem, salaries are much, much higher than there were 10 years ago. So, this sort of cost and save that they used to have is not really there anymore. So, for China to stay competitive, they can’t do… they can’t be competitive just by having low salaries. So, it’s important that people you have leverage technologies and who can be able to be more productive.
W: I see.
L: I think that’s not really a Chinese thing, that’s a global business thing.
W: Okay. I see.
L: Certain industries will be able to do this a lot and some industries will be able to do it less.
W: Okay.
L: I mean, personally, I think education is very interesting and I also know of few Chinese people operating in education. I know, in career, for instance, the guys he pay teachers in the world, as you saying is, technology which allows him to teach 4 and 5… no, he is earning 4 or 5 million a year but he is teaching basically any high school student in career who wants to have a good math exam.
W: Okay.
L: But that’s one example of em… of a few people leveraging technology which allows them to do much more what they were doing before. That’s also gonna be the case in China. And a country with such a big population, if you can use all these technologies to leverage, reach more people, but less manpower, that’s obviously a very good thing.
W: What are the challenges the business is facing caused by technology? And how will they respond?
L: From a government standpoint, I think the issue in China is that China has had a lot of organizations for the past many, many years, and Shanghai now is definitely not a poor city, and the saying is the case in most tier 1 and tier 2 cities. But the countryside where at least up until this point, they have not been able to cumulate and use capital as efficiently as the people in the city. So, I think the challenge going forward for the government stand point is to make sure the difference between city and country, there is a continue to grow. I think the interesting thing is to see all of these new technologies who can leverage, and who can cumulate, how much capital, and how would that effects the society. I think that’s the global thing.
W: I agree.
L: That, all of the new technologies can potentially cause very, very large equality. And I think for China, they are also trying to figure out how they can help the countryside, the rural part of the country catch up.
W: By improving the education? For instance, … or, what do you mean?
L: Em… yea, that’s one thing. I mean the education, infrastructure.
W: Okay.
L: And trying to make reform. I mean there are some types of jobs that are not coming back because of… some of these disruptions. But from a business stand point, in terms of… the challenges should have with these new technologies as well, I guess it is catching up because a lot of industries that are gonna be completely different 10 years from now, that’s what they are today.
W: Yes.
L: So, that is a focus not only for Chinese business but globally.
W: What do you mean by the forces from the government?
L: What was I referring to with the government is that I think all of these new technologies means people have very low level of productivity, very likely to be replaced by technology for the near future.
W: Okay.
L: That means that if you are being replaced or if there are few not be able to leverage these existing technologies, then your personal productivity will be much, much lower than if you are able to leverage it. And then becomes a problem as... I mean we have seen that for many years now that of course the big cities especially the cities near the sea side in China have developed very quickly, but western China, rural China, is a completely different story.
W: Okay.
L: And, they are also start to getting smartphones, but in general, new thing, new technology is not happening at the same pace.
W: No.
L: And I think, it’s always mentioned there is one of these key conservatives’ of Chinese government to make sure that the countryside is not left behind in this race.
W: So, is it more like the balancing.
L: Yea, I mean it’s a big focus point of China to make sure that they don’t end up having two completely different societies.
W: Okay. One more question, about the values. From China, from Denmark, or from Netherlands, how do companies measure their success?
L: From my perspective, I’ve worked in a couple of different organizations.
W: Okay.
L: First I was in Maersk, a shipping company. I have been in the Danish Consulate; I have been in Goldman Sachs and now in the high frequency trading company.
W: Right.
L: So first when I was in Maersk. Maersk in Denmark is a company where has a very long history, before there was a strong focus on integrity, doing things right and I think in China, people also proud to work there. But while compare to most people I met in China, that’s probably more for focus on moving up the social latter rather than changing the world for the better.
W: Okay.
L: That’s sounds very negative, but what I mean is Danish parents would always tell you do what you dream about, do what you really passionate about. And a lot of Chinese people I know over the years are more chasing the dream, but it’s a different dream. It’s more a goal and accomplish something, make some money, and get a better life for yourself and your family. A better life here also very much means a life in monitory terms. And in terms of face, prestigious in front of your friends. And that is measure in a different way than it is in Denmark and in Netherlands.
W: Okay.
L: But that is also changing slowly now that China is becoming richer and richer, I mean, it’s becoming prestigious to go on a nice holiday and to having free time, whereas before, from I experienced, it seems like it’s prestigious to have money. Now, I am starting to sense it is prestigious to have free time and do nice things.
W: Okay.
L: So, success from individual perspective is now different.
W: What about the companies?
L: From the company perspective in China, I think in Denmark and the Netherlands, certain companies are treated differently. For example, the banking industry.
W: Okay.
L: Where I have worked in. If you go and talk to people on the main street in Denmark and the Netherlands, they are not very impressed that if you tell them that you are work in a big American bank, they will question the values people in the bank they are just thinking about the money. But the Chinese who work in the finance, they are always very impressed that I worked at Goldman Sachs. “Wow, you must make a lot of money, you must be very successful”.
W: I understand.
L: What’s definitely different view. So, in that regards, that’s one of the biggest different thing.
W: Is that the same in terms of disruption within the company?
L: If we take education as an example, there are certain companies that tried to go for the money in a short time, without building a consistent brand. Then that obviously that potential for people who also care about money, but probably not in the short term.
W: Okay.
L: I think a good business is that they are not thinking about money in a short term.
W: No.
L: So, at the end of the day, Chinese companies, Western companies, all companies care about maximizing value, and maximize value by behaving ethically and behaving a way which consumers like.
W: Yes.
L: But donating, is also of course a big thing in China than in the West.
W: Okay.
L: But then that is also probably changing slowly, but I think Hong Kong compare to western China, I sense that it is bigger while I looked at my friends in China. So, that’s an indication that China is also…
W: Changing it…
L: But companies now are less focus on CSR, corporate social responsibility, and all of that. And then is OS. It is also catching, just not at the stage as the Europe.
W: I see.
L: A lot of Chinese companies are innovative, but it’s also incorrect if you say that they are successful only because they are innovative, and the government intervention has not had any impact.

W: What do you mean by that?

L: So, like the case of WeChat that it’s a brilliant company that doing things very well, but they will not be as successful as they are, if there was no government intervention.

W: That’s true.