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China Imitation Strategy. A Case Study.

MASTER ON OPERATION AND INNOVATION MANAGEMENT

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Summary

China represents an attractive market full of opportunities for foreign investors. With a population in 2016 of 1.382,71 million people and a GDP of \$11.076,33 billion USD with a growth rate of 6,7% over the last year, China is situated as the second largest economy in the world, just after the United States, and it is expected to continue growing. The data of \$133 million USD on Foreign Direct Investment reveal that China places the third position on the countries with more foreign investment after United States of America and Great Brittan. China represents a market strongly growing and economically stable, with a great potential and potential partners ready to learn and evolve. (Chinese Government, 2016)

From the last 20 years, Chinese companies have developed a great speed and growth in technology innovation. Nowadays is possible to see Chinese companies up in the list of world's largest companies. Examples of these successful companies are Alibaba, Tencent, Lenovo or Baidu which have become market leaders due to the expansion on innovation and the creation of new business models, successfully integrated in the society.

This evolution of the county and the enterprises has led to a position of high competitiveness in the market. The number of Chinese companies is growing and more foreign companies are entering as well into the Chinese market, enhancing this competition. In this situations, a good strategy for securing strategical growth is fundamental. The theory pointed innovation and imitation as strategies to secure the company survival and growth.

Since china has demonstrated to be good at imitation, this project will analyze some successful Chinese companies which have apply imitation to secure strategical growth. The project will analyze the companies' business models and the role of imitation, with the



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objective of identify some factors affecting the decision of imitation present in the case companies and supported by theory. Once the factors are identify, a suggestions on when imitation is a good strategy for securing strategical growth will be presented.



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1. Introduction

This report has been written as part of the graduation project on the master program of Operations and Innovation Management at Aalborg University, under the supervision of Associate Professor Yariv Taran from Aalborg University Department of Business and Management.

This project analyzes the connection of imitation with strategical growth through a case study of three Chinese companies' business model and provide a suggestion on when an imitation strategy can secure strategical growth.

The study of the theory on imitation and the author's personal experience living in China and being a customer of the three companies selected are the basis for the project inspiration. The scope of the project will be within the Chinese tech companies due to the growing on innovation in this sector in China and the cited experience of the author. In order to study and understand the concept of imitation for strategical growth, knowledge on imitation theory, business model, business model innovation and adaptation strategy will be applied.

2. Empirical Background

The purpose of this chapter is to set the context of the project. Since the project analyze Chinese companies operating in the Chinese market, it is necessary to understand the context of China. In order to understand the context of China, this chapter presents basic data about the demography, history and economy of the country. In addition, a description of the innovation in China and the factors triggering it will be described. At the end, the last section will introduce some of the evolution process of China, changing from a strategy of coping into an innovative one.

The findings of this section will be used to identify the problem statement of the project.

2.1 China Outlook

This sections aims to provide a general outlook of China. It will be provided information related to the demography, history and economy of the country.

2.1.1 Demography

Located on the east of Asia, with a surface of around 9.6 million square km, China is the third largest country in the world. Its capital is Beijing located in the northeast of the country. Formed with 22 provinces, five autonomous regions, four municipalities and two special administrative regions. (García-Noblejas, 2012)

China is the most populate country with 1.382,71 million people. The distribution of the population is divided into urban and rural areas. A 57,35% of the people resides in urban areas including high populated cities like Beijing, Shanghai or Guangzhou were the population reaches 22 million people where the job opportunities are high and the life style better. The rest 42,65% of the population is located in rural areas where the level of development is still growing. (Chinese Government, 2016)



The official language is Mandarin Chinese. Based on ideographic characters, Mandarin Chinese is one of the most difficult languages to learn, this is due to the need of recognize, pronounce, understand the meaning of each character and be able to write them. In addition, exists different dialects dispersed along the country. The most spoke ones are the Wu and Cantonese dialect, spoken in the north and south of the country respectively. (García-Noblejas, 2012)

The following figure 1 illustrates the map of China.

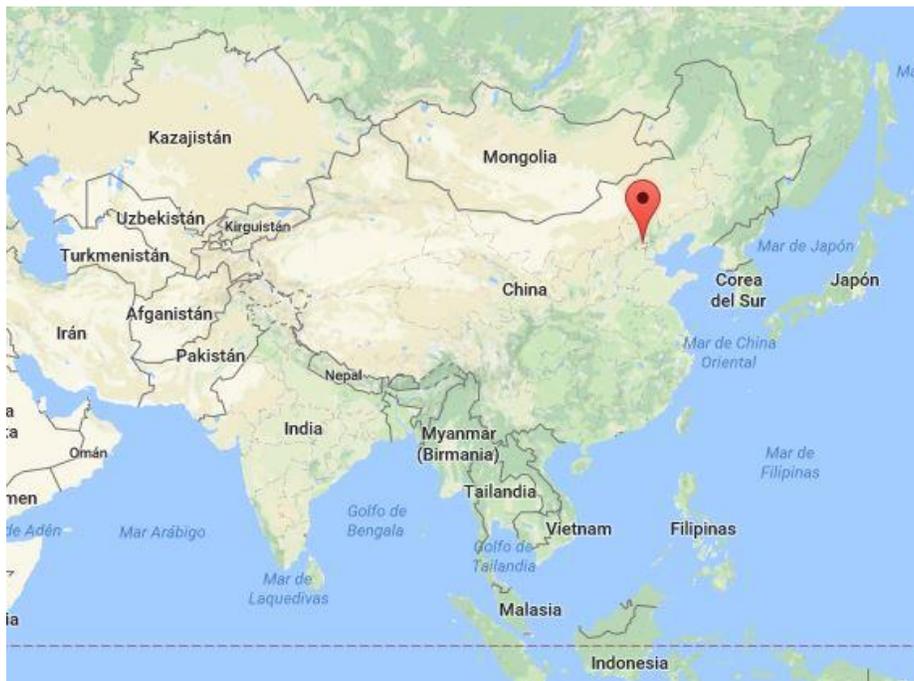


Figure 1. Map of China

2.1.2 History

China is one of the most ancient recorded civilizations with more than 4.000 years. The Chinese political structure was based in dynasties starting in 221 B.C. with the unification of china by Qin dynasty. The emperor at that time established a standard currency system, units



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of measurement and a unified writing method, as well as the political system with a strong power on the central government that will continue until 1911 when the last dynasty, Qing fell and the Republic of China was established (García-Noblejas, 2012)

During the dynasties period, China developed great projects such as, national road systems, the Great Wall, the Silk Road and others. Scientific achievements in fields like mathematics and astrology were present and many literates and philosophers arise. With Confucius as the most representative where his philosophy was established as part of the Chinese culture. (García-Noblejas, 2012)

In the decades of 1930 and 1940 China was involved in external and internal conflicts. External with the invasion of Japanese forces and the Second World War and internal with the conflict between the nationalist party and the communist party. Both conflict ended in 1949 with the defeat of the Japanese forces and the victory of the communist party led by Mao Zedong. Mao stayed in the power until 1970 and made a strong restructuration in the economic system and ideological campaigns that affect in people daily life. The contact with the rest of the world was limited and the private business was inexistent. Big repression to people. (García-Noblejas, 2012)

During the leadership of Deng Xiaoping China stated a “new opening era” in 1978. The re-establishment of diplomatic relation and trade with the rest of the world, in addition to a market driven economy system helped China to start growing and having a strong presence in the international business. Special economic trade zones like Hong Kong and Macau were established and China gets a seat on the United Nations Security Council and the World Trade Organization (WOT). (García-Noblejas, 2012)

The actual government is presidency by Xi Jinping, the organ of the state power is the National People’s Congress compose by elected representatives from the different



provinces and regions of China. Parallel to this organ, the Communist Party of China has strong internal relationships and has decision power in some issues. (García-Noblejas, 2012)

2.1.3 Economy

In 2010 China became the second largest economy in the world after the United States of America. China achieved this position in the ranking due to the spectacular economy growth on the last 30 years based in a market-oriented economy and the growing of the private sector.

The following figure represents the growth of China's Gross Domestic Product (GDP) from years 2012 to 2016. Observing that the GDP value for 2016 is 74.412 billion yuan (11.076,33 billion USD), with a 6,7% growth rate. Where the manufacturing industry is the largest contributor. (Chinese Government, 2016)

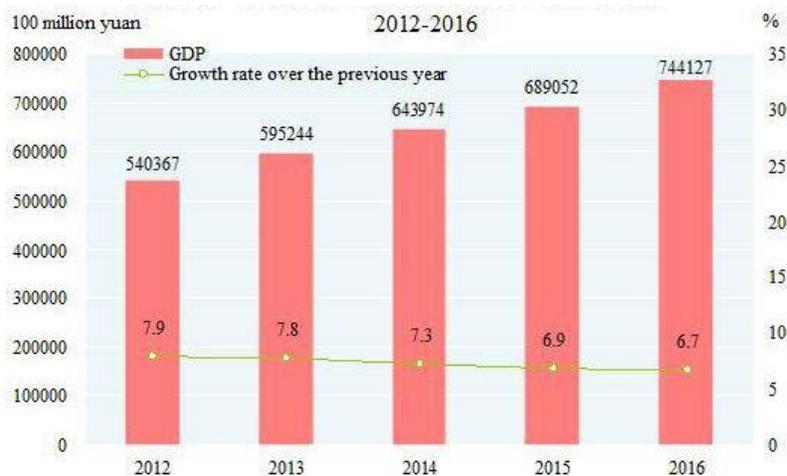


Figure 2. GDP and development rate in China



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In 2016 a number of 27.900 foreign enterprises were established with an increase of 5% compare to the previous year. This enterprises utilized a foreign capital of 813,2 billion yuan (126 billion USD) meaning an increasing of 4,1% over 2015. (Chinese Government, 2016)

Since 1953, every 5 years China releases a five years plan for social and economic development initiatives. With this plan China evaluates the country performance in base of the fulfillment of the previous five year plan, and point and plan the key directions the country should follow to achieve their goal.

In the 13th plan launched in 2016 the focus areas for development were, innovation, balance between urban and rural areas, environmental focus and international cooperation. Other recent initiatives launched like One Belt–One Road have the intention of encourage the commerce between China and the rest of the world. (Chinese Government, 2015)

2.2 Innovation in China

From countries in the west there is the established conception that China's innovation capabilities consist in simple copycats of well-known products (Tse, 2016). It is true that China has not produced yet a product or a service with worldwide impact such as Facebook or iPhone. Neither have they developed innovative business processes like JIT in Japan. These factors in addition with rote learning education, restricted freedom of speech, dominance of state economy and poor protection of IPR, create some doubts about Chinese capabilities on innovation (Tse, 2014). This approach is center in what China has done but misses what is going to happen in the future (Gao Feng, 2015)



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On the other hand, in the last decades, Chinese market has continue rapidly growing, IPR protection have improved and new Chinese companies have become world leader in their sectors.

After 1970 China's economy started moving in a higher speed and a large scale than the rest of the world. The reconfiguration of a market driven economy has led to a diverse and complex society (Gao Feng, 2015). It is within this complex, diverse and dynamic environment that Chinese companies have developed unique capabilities winning market share through low cost and better quality products and high speed of execution (Gao Feng, 2015). Some companies have evolved from copycats, taking a product successful in the west and apply it to the Chinese market, into big players not only in china but also globally.

The creating of more experimental free trade cities like Shanghai create an economic condition suitable for entrepreneurial companies for innovate. An example of this is the development of the city of Shenzhen which has positioned china as one of the leaders in mobile phone technology innovation. Surpassing the famous area of Silicon Valley as the incubator of startups and app's creation, taking examples of new applications on the west such as Tinder, mobile payments or food orders they have a previous app in China. (Tse, 2014)

That innovation development relies in the combination of people and organizations working in a diverse, dynamic, complex environment, characterized by the big size of the market. Some of the innovation drivers for Chinese companies can be explain as follows:

New opening era

After the end of Mao Zedong and the opening policy started in 1978 by Deng Xiaoping, China encourage foreign investment and technology transfer. The fast growing of the



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economy, the new input on information and successful examples such as Bill Gates, made many young people believe on opportunities to grow and become successful. Besides this happened 40 years ago, the entrepreneurial spirit is still present in the Chinese mentality (Tse, 2016) accentuated with the strong “money culture” present in the society, where money represent success and respect. Therefore Chinese people are constantly looking for new ways to get some money.

Market opportunity

Chinese economy was mainly dominated by the state-owned enterprises. However, due to the fast evolution in the dynamic Chinese market, the state-own enterprises have some troubles to anticipate and adapt to this changes. According to that, innovative companies can evolve fast and take advantage of this situation fulfilling the market’s needs (Tse, 2014). Furthermore, the scale of the market in China, allow companies to make quick try and error experiments where a small success can imply high earnings.

Transformative and intense competition

Due to the size of China and the market opportunities, every sector presents a high and intense competition, composed by Chinese companies and international. Innovation and understanding of the society needs arise as a key point to compete in the market

Rise of mobile internet

Chinese people use mobile phone for everything, they did not experience the rise of the personal computer and directly move to the use of mobile phone. This have created a customer behavior based on the mobile phone. Therefore, companies have left apart personal computer interaction and technology, focusing their effort in developing internet



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mobile phone technology related, which is predicted to be one of the key drivers of innovation in the future and where China has a strong step.



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3. Literature review

This chapter has the purpose of giving an outlook of the existing literature about imitation among organizations and business model. It is divided into two sections, imitation and business model, where the two concepts are developed.

3.1 Imitation

Institutional Theory

Institutional theory discuss that diversity among organizations operating in the same organizational field is reduced by a process of institutionalization. This homogenization process is defined as institutional isomorphism, categorized into three types attending the pressures that generate this process; coercive, mimetic and normative isomorphism. Coercive pressures results from political influences and legitimacy issues, mimetic pressures occurs as a respond to uncertainty by imitating a similar organization in a process of modeling; and normative pressures are related with professionalization. (DiMaggio and Powell, 1983).

Understanding mimetic behavior as organizations imitating other organizations, there is a bunch of literature that relate this imitation phenomenon with companies' areas such as strategy (Rogers, 1983; Fligstein, 1991), organizational structure (Fligstein, 1991) and organizational processes (Massini 2002).

This imitative behavior is mainly present when firms want to enter in new markets, they find the company which is the market leader and copy their technology or process in order to access to more market. (Valdani and Arbore, 2007; Jin, 2009; Shankar 2010) Other authors add that the imitation tendency decreases after a company entered a market, suggesting that imitation is used as a substitute of experience (Barkema and Schijven, 2008).



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Valerie (2009) suggest that imitation is an easy and fast way to benefit from other firms' experience and resource development.

Product imitation

Imitation is part of the competition dynamic and motivate enterprises to grow and improve productivity. (Madsen et al. 2010). The cycle life of a product starts with the creation and commercialization of the product, then it follows the imitation of the product by followers companies. This create a competitive environment where the companies have to differentiate from each other, improve their current technology or innovate in order to acquire more market share. (Grant, 2008). From this view is possible to identify two positions of companies, first, the innovator, first movers on the market, provides a new product. The benefits of this strategy are higher sales and growth, technology leadership, customer preferences. (Shenkar, 2011). And second the imitator, follower or second mover in the market. This companies analyze the characteristics of the innovator and learn from it in order to launch a similar product which can compete in the market. The benefits of this strategy are reduce uncertainty, reduce time to market, reduce costs on R&D, reduce product developing time, and knowledge acquisition (Valdani and Arbore, 2007. Shenkar, 2010. Shenkar, 2011)

Creative Imitation

The action of imitate can be differentiated in two process, one of copying identical product and other of copying and at the same time gradually improve it (Corniani 2012). The terminology of creative imitation was first introduced by Levitt (1966) and define it as a process of copying a product improving the current version and adding new uses. "*Imitating the most innovative product in the most innovative way*" (Shankar, 2010) For followers entering a new market can increase the speed of catch up and reduce the responsibility of



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innovation for the success on the market (Shenkar, 2010). In relation of this topic, Kim (1997) introduces the concept of absorptive capacity as “the ability to effective use technological knowledge in effort to assimilate, use, adapt and change existing technologies” i.e. the capacity of absorbing knowledge and generate new one. According to this, in technological leapfrogging, the late entrants act as imitators but with a better understanding of the market and the possibility of constructing a better product in order to catch up the innovator. (Kim 1997)

This process of imitation learning has shown benefits in terms of competitive advantage in some industries of Korea (Kim, 2004) and is some of the reasons of the growing of Japanese and Chinese companies (Jin, 2009). Milan (2014) believes that creative imitation can be used as a strategy for innovation.

Creative imitation has impact in corporate strategy (Milan, Iryna and Karl, 2014; Shenkar 2010) and can grow the speed on innovation at the same time that reduces costs and risks. Enkel and Mezger (2013) highlight the importance on cross-industry imitation for business model innovation and Casadesuss-Manel and Feng (2013) that in new market entry, leader and imitator can beneficiate from the creation of a new business model.

3.2 Business Model Innovation

Business Model

In order to understand the concept of Business Model Innovation, first a review of what is a business model is need. It will present a definition of Business Model, a classification attending the types of business model and two common frameworks for analyze business models.



Many authors write about Business Model, but there is not a clear agreement on what a business model is. In fact, Zott et al. (2010) made a literature review on 1253 articles on the subject of business model in order to provide a comprehensive definition on the term. Their conclusion was that scholar do not agree on what a business model is.

The following table, taking from the Zott et al. (2010) working paper, represents the definitions that some author gave about business model in a temporal line.

Author and Year	Definition
Timmers (1998)	“The business model is “an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues”
Amit & Zott (2001)	“The business model depicts “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”
Chesbrough & Rosenbloom (2002)	“The business model is “the heuristic logic that connects technical potential with the realization of economic value”
Magretta (2002)	“Business models are “stories that explain how enterprises work. A good business model answers Peter Drucker’s age old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?”
Morris et al. (2005)	“A business model is a “concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” It has six fundamental components: Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors.
Johnson et al. (2008)	“Business models “consist of four interlocking elements that, taken together, create and deliver value ” These are: customer value proposition, profit formula, key resources, and key processes
Casadesus-Masanell & Ricart (2010)	“A business model is [...] a <i>reflection</i> of the firm <i>realized</i> strategy”
Teece (2010)	“A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value”

Figure 3. Business model definitions presented in Zott et al. (2010)



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After the study of all the bunch of literature, Zott et al. (2010) ended in a definition qualify as the best synthesis of the concept of business model. They define business model as a new unit analysis between firm and network levels in a system-level concept on how firms do business with focus in activities and the importance of value creation.

Business Model Innovation

The concept of business model innovation has been related to how technology is commercialized (Chesbrough and Rosenbloom, 2002) and to maximize the reach of a new technology (Christensen and Raynor, 2003).

On the other hand, Santos et al. (2009) define business model innovation as a *“reconfiguration of activities in the existing business model of a firm that is new to the product/service market in which the firm competes”*

Lindgart (2009) based on the framework of business model created by Boston Consulting group, claimed that an innovation will occur when two or more elements of a business model are changed in order to deliver value in a different form.

A study conducted by IBMs Global CEO in 2006, comparing the different types of innovation and their effect on the company’s performance, illustrates that the business model innovation was the innovation type which drives profitability to a larger extent

Despite there is not a clear definition of the concept of business model innovation by the scholars, it is possible to agree that business model innovation is relevant for the company’s performance (IBM, 2006), and can be considered when a change is done on at least one of the elements of the current business model.

4. Problem statement and research questions

On the basis of the information provided by the chapters of Empirical Background and Literature Review, it is possible to observe that the growing of China has led to a movement of foreign companies willing to enter in the Chinese market. This, adding to the presence of innovative Chinese companies, has created a situation of intense competition where a good strategy for securing strategical growth is fundamental.

The literature review on the theory of imitation has pointed imitation and innovation as strategies for securing strategical growth.

Therefore, taking into consideration these observations, through a case analysis of three successful Chinese companies, the purpose of the project is to identify some factors influencing the strategy of imitation and provide suggestions on when an imitation strategy can secure strategical growth.

The problem statement of the project can be defined as follows:

“When is imitation a good strategy to secure strategical growth?”

The problem statement will be answered through the following research and researchable questions.

Research question 1: *Which is the business model of the case study Chinese companies and the role of imitation on it?*



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Research question 2: *What are the factors that influence the decision of imitation in the case study Chinese companies?*

The following chapter on methodology describes how the research questions are answered.



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5. Methodology

The purpose of this chapter is to explain how the data used in the project was, selected, collected, analyzed and the validity of the data. The method used is to state the type of data used to answer the researchable questions through the categories of Data Selection, Data Collection, Data Analysis and Data Validation.

Data Selection

Data selection is used to describe which criteria the author group had set before selecting the data and what type of data is needed. Data is selected in order to answer the research questions.

Data Collection

Data collection elaborates how the data was collected and how it was handled in the report. The data collected for the research can be divided into four categories, primary, secondary, quantitative and qualitative data.

Data Analysis

Data analysis refers to which methods and tools that have been applied for analyzing the data.

Validity

Validity in data is when the data obtained actually represents measurements of what was defined in the framework of the measurements.



For each research question, a table is used for evaluate the selection, collection and analysis of the needed data. The validity of the data is evaluated below the table.

Research Questions	Data Selection	Data Collection	Data Analysis
<i>Which is the business model of the case study Chinese companies and the role of imitation on it?</i>	Information, data and operations about the Chinese companies Information about Chinese environment Knowledge about the impact in Chinese society and worldwide	Secondary data from books, articles and company's annual reports Primary data from author's personal experience	Business Model Canvas Theory on Business Model Innovation Miles and Snow Organizational adaptation strategic typology Theory on Imitation
<i>What are the factors that influence the decision of imitation in the case study Chinese companies?</i>	Information, data and operations about the Chinese companies Findings from analysis of previous sections	Secondary data from books and articles Primary data on the author's analysis	Theory on Business Model Innovation Miles and Snow Organizational adaptation strategic typology Theory on Imitation

Figure 4. Methodology of Research Questions

Data Validity

The validity of the secondary data is high when it comes from articles and books on imitation theory, business model theory and organizational typology. This include specific literature form recognized authors within their fields of research.

The validity of the secondary data obtained from websites and annual reports is not as contrasted as the one from the scientific articles or books. In order to increase the validity



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of this data a primary source from the case companies would be ideal. However, due to the limitation of time, this suggestion was not possible to apply.

6. Analysis

This chapter answers the research question 1 introduced in the chapter 4, Problem Statement and Research Questions.

Research Question 1: *“Which is the business model of the case study Chinese companies and the role of imitation on it?”*

The chapter present and analyze the three case study Chinese companies. The companies selected for the analysis are Alibaba Group, WeChat (as a part of Tencent Holdings) and Xiaomi. The selection of the companies was done due to the importance of this companies in the Chinese society, their innovative features and the personal experience of the author using their products and services in China.

The chapter is structured into five sections. The first section include the description of the analytical framework used for analyzing the companies. Hereafter, the following subchapters will provide the analysis itself of the companies, distributing one company per subchapter. Finally, in the last subchapter a summary of the results will be presented in addition to the final conclusions that will be used as an input for the suggestions and discussion of the solution development in the following chapter.

The structure of the analysis chapter is illustrated in figure XX

6.1 Analytical Framework

This subchapter present the analytical framework used In order to be able to analyze the case companies. The analysis is divided into three areas represented in the following figure.

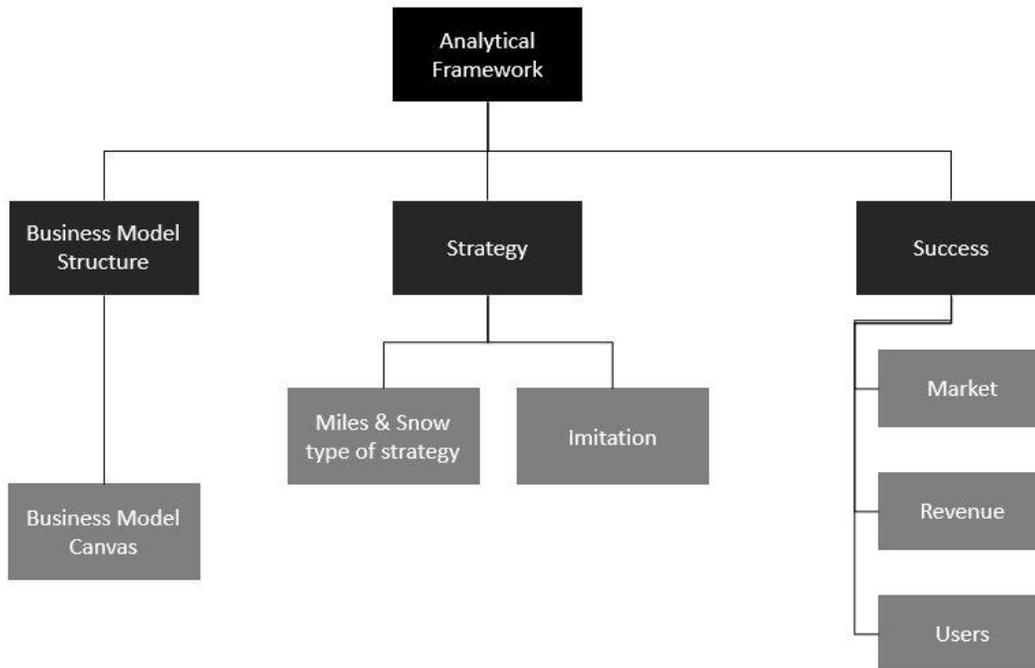


Figure 5. Analytical Framework

Figure 5 represents a schema of the Analytical framework used. The framework address three areas, business model structure, strategy and success. For the business model area, the model of business model canvas presented by Osterwalder and Pigneur (2010) is used in order to identify the nine building blocks of the business model. On the area of strategy, the imitation process followed by the company is described. Hereafter, the strategic typology of Miles & Snow (1978) is applied in order to understand the adaptation strategic of the case study companies and classify them into defenders, prospectors, analyzers or reactors. The last area addresses the success rate will be analyzed in terms of market success, revenue or users and compared to competitors.



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Business Model

The analysis of the business model of the company is done in order to understand the business activities and differentiation factors of the company. This analysis will be done using the framework of the business model canvas presented by Osterwalder and Pigneur (2010) in their book titled “Business Model Generation”. The book provides a handbook in business models and business model innovation. They define business model as *“the rationale of how an organization creates, delivers and capture value”*. With the collaboration of many authors around the world, they developed the framework of Business Model Canvas, one of the most used and famous framework for analyzing business models. The business model canvas is a practitioner oriented framework with focus on the structure of the business model and business system. The framework divide the business model into nine components in order to provide a holistic view on the business model of a company.

The nine components are presented in figure 6 and explained below it.



Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
* Who are our Key Partners? * Who are our key suppliers? * Which Key Resources are we acquiring from partners?	* What Key Activities do our Value Propositions require * Distribution channels? * Customer Relationships? * Revenue streams?	* What value is delivered to the customer * Which of the customer's problems are we helping to solve? * What bundles of products and services are offering to each Customer Segment * Which customer needs is the company satisfying	* What type of relationship does each of the Customer Segments expect the company to establish and maintain with? * Which ones are established? * How are integrated? * How costly are they?	* For whom are we creating value? * Who are the most important customers?
	Key Resources * What Key Resources does the company's Value Proposition require? * Distribution channels? * Customer Relationships? * Revenue streams?		Channels * What are the channels used to interact with the customers?	
Cost Structure		Revenue Streams		
* What cost does the company incurs?		* How does the company generate money?		

Figure 6. Business Model Canvas

Key partners. The block of key partners refers to the network of suppliers and partners that make the business model work. The objective of this partner network is to reduce risks and optimize the business model.

Key activities. The key activities can be defined as the most important things a company must do to make its business model work. These activities should support the rest of the



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building blocks of the framework. An example of critical activity could be supply chain management.

Key resources. Osterwalder and Pigneur understand the key resources as the most important asset a company need for supporting the business model. Key resources can be human, financial, intellectual or physical.

Value Proposition. The value proposition is related with the mission of the company. It can be defined as the bundle of products or services that create value for a specific customer segment. The value can be, quantitative like prices or performance or qualitative such as customer satisfaction or design.

Customer Relationship. The customer relationship block includes the types of relationships a company establishes with specific Customer Segments. The relationship with customers can be personal, automated, self-service, assistance, etc. Customer relationship can increase the number of customers by customer engagement or customer acquisition.

Channels. The channels are the type of methods the company use to reach its customer segment, contributing with its value proposition. This includes the different ways the company interacts with the customer, for example, through sales, distribution or marketing.

Customer segments. The customer segment include the customers which the value proposition of the company is directed to. It is critical for a company's survival and success to understand which kind of customer the company targets.

Cost structure. The costs structure are the costs incurred by the company in order to complete the business model. Costs can be differentiated into two categories; cost-driven business models, where cost are minimized and value-driven business model, where the most important is to increase the value delivered to the customer.



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Revenue streams. The revenue streams are the money a company generates from each Customer Segment. It includes the monetization type of a product.

Imitation process

The objective of the imitation process is to understand, when was the imitation done, who does the company imitate, and with what purpose. By looking into the companies timeline and data, answer these questions and provide an outlook of the process.

Organizational adaptation strategy

In order to analyze how the case study Chinese companies adaptation strategy is, the strategy typology presented by Miles and Snow (1978) will be used to identify the fit with the characteristic of the companies studied.

In the work of Miles and Snow "*Organizational Strategy, Structure and Process*" (1978) it is presented a framework for organizational adaptation strategy attending the way companies structure their product domains and how they pursue their strategy. The framework identifies four types of companies, defender, prospector, analyzer and reactor.

- Defenders

The defenders strategy is based on achieving stability. They seek to create a stable domain and prevent competitors from entering their market niche with actions like competitive pricing or high quality products. Their efforts in product development are oriented to improve existing products and being technology and cost efficient. Actions like vertical integration support this type of behavior.



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The main risk that have Defender's companies is that in changes on the market environment they would be unable to respond effectible, due to they focus only in existing products for their niche market.

- Prospectors

On the contrary of the defenders, the prospectors operate in a dynamic environment and are defined as innovators. They seek for new products and market opportunities and exploit them. They have a high focus on product, technology and market development for current activities and the ones on the future. Prospectors have the advantage of having flexibility that make them able to adapt to changes, being themselves in some cases the creators of these changes with a firs mover advantage.

The risks associated with the Prospectors strategy are that the high focus in product development can lead them to situations of low profitability and scarcity of resources. Furthermore, complete efficiency is difficult to achieve.

- Analyzers

The Analyzers companies can be described as a balance combination of the Defender's market efficiency and the Prospector's innovation. They have the objective of minimize risks while at the same time maximizing the opportunity for profit. The Analyzers move into new products and markets but only to them where their viability has been demonstrated. They entered these new markets by imitating the Prospectors'' most successful product. Doing that the Analyzer can enlarge its product line without the Prospectors' costs on research and development.

- Reactors



Reactors companies are the ones that does not have a define strategy and are not able to adapts to market changes. Normally they are companies instability is predominant. Some of the reasons of why companies become Reactors are:

- *“Top management may not have clearly articulated the organization’s strategy”*
- *“Management does not fully shape the organization’s structure and processes to fit a chosen strategy”*
- *“Tendency for management to maintain the organization’s current strategy-structure relationship despite overwhelming changes in environmental conditions.*

The following figure summarize the four types of strategies presented by Miles and Snow

Defenders	Prospectors
<ul style="list-style-type: none">* Stability* Market niche* Technology efficiency* Unable adapt changes* Able to achieve efficiency	<ul style="list-style-type: none">* Flexibility* Innovation* New product and market opportunities* Creators of changes* First movers* Able to adapt changes* Unable to achieve efficiency
Analyzers	Reactors
<ul style="list-style-type: none">* Balance* New products and market with efficiency proved* Imitation* Able to adapt changes* Able to achieve efficiency	<ul style="list-style-type: none">* No consistent strategy* Unable to adapt to changes* Unable to achieve efficiency

Figure 7. Miles and Snow strategy typology summary



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Success rate

Looking into the company's annual reports, data about the revenue, market share or monthly active users (MAU) are presented in order to frame the size and success of the company. This data is compared to some competitors to provide a more clarifying view.

6.2 Alibaba Group



6.2.1 Company Overview

Founded in 1999 by 18 people and led by Jack Ma, Alibaba Group started with the objective of champion small business believing that internet would enable the small companies to grow and compete more effectively. (Alibaba Group, 2017)

Alibaba Group is the largest retail commerce company in the world. They have nearly 454 million annual active buyer on Chinese marketplaces connecting with millions of merchants and brands. (Alibaba Group, 2017)

Alibaba's mission is "to make it easy to do business anywhere". Focusing in small businesses and helping them through the use of internet to achieve a better competition in domestic and global economies. (Alibaba Group, 2017)



Alibaba's vision is "to build the future infrastructure of commerce". Enabling hundreds of millions of interactions per day, empowering their customers with infrastructure for commerce and data technology and made Alibaba part of the daily life in a span of at least 100 years. (Alibaba Group, 2017). Their business areas include core commerce, cloud computing and digital media. They have participation through investee affiliates in logistics and local services. Furthermore, they have a profit sharing interest with Ant Financial Services, company that operates with Alipay, the leading third-party online platform in China. (Alibaba Group, 2017)

The following figure 8 provides information on some of the most important business areas of the company:

Business	Business area	Characteristics	Relation
Taobao	Mobile commerce	C2C	Alibaba Business
TMall	Third-party platform for brand and retailers	B2B Branded products Premium experience	Alibaba Business
AliExpress	Global retail marketplace	Connect global consumer with Chinese manufacturers and distributors	Alibaba Business
Alibaba.com	Global wholesale marketplace	Buyers are trade agents, wholesalers, retailer, manufacturers and SME of import/export	Alibaba Business
1688.com	Chinese online wholesale marketplace	Connect wholesale buyers and sellers in China	Alibaba Business
Alimama	Marketing technology platform	Enable marketers to place marketing displays on third	Alibaba Business



		party websites and mobile apps	
Alibaba Cloud	Public cloud services provider	Cloud computing services worldwide	Alibaba Business
Ant Financial	Financial services provider	Focused in small companies and consumer Developed Alipay	Alibaba Affiliate
Cainiao Network	Logistics data platform operator	Leverage capacity and capabilities of logistic partners	Alibaba Affiliate

Figure 8. Alibaba's partners and business areas

These business areas and strategic partners create an ecosystem for Alibaba which supports its core business providing services including, financial, logistics, marketing and cloud computing. This ecosystem is illustrated in figure 9.



Figure 9. Alibabas ecosystem



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6.2.2 Company innovation

Instead of setting the popular objectives of maximizing the value of the firm and increase the shareholders' wealth, Alibaba has a more long term orientation perspective. It is based on the objectives of increase the success of the firm and its market capitalization. The reason behind this approach is that putting customers and employees in the first line of priorities will help the company to prosper and shareholders will be beneficiaries in the long term. (Alibaba Group, 2017)

The long term strategic goal of Alibaba is to serve 2 billion consumer and support 10 million businesses around the world. In order to achieve this goal they run three key initiatives:

Globalization. Through the platforms of AliExpress and Alibaba.com promote a two-way trade between China and the world. Build a virtual and borderless global commerce platform.

Rural Expansion. With more than 590 million people residing in rural areas this is an attractive market. They launch a program targeting this area with the objective of provide access to a broader variety of product and help the farmers to sell their product to urban consumers.

Big Data and Cloud Computing. Application of data intelligence and machine learning in addition to the cloud computing platform in order to support Alibaba's business and third parties.

One of the Alibaba's strengths is the developing of an innovation network based on collaborative relationships or acquisition of leading companies on the e-commerce sector, internet infrastructure, marketing, finance, data processing or logistics. The construction of this network allows Alibaba to position as a central player in the e-commerce chain,

providing infrastructure services to all the players in the chain, services that include distribution, logistics or marketing. (Brennan, 2016)

With the connection of the entire value chain of digital marketing and digital commerce, Alibaba gain a competitive advantage in comparison with their global peers which rely on other companies (Brennan, 2016)

6.2.3 Company Analysis

Business Model Canvas

The following figure 10 represents the Business Model Canvas of Alibaba Group

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> * Ant Financial (AliPay) * Cainao Network * Alibaba cloud computing * Taobao * TMall * Others 	<ul style="list-style-type: none"> * Logistics * Supply Chain Management 	<ul style="list-style-type: none"> * Make it easy to do business everywhere 	<ul style="list-style-type: none"> * Support and empower of small businesses 	<ul style="list-style-type: none"> * Consumers * Businesses
	Key Resources <ul style="list-style-type: none"> * Global Integrated Supply Chain * Value Chain Network 		Channels <ul style="list-style-type: none"> * Website * Mobile * C2C * B2C * B2B 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> * Platform maintenance * Supply chain support 		<ul style="list-style-type: none"> * Transaction commission 		

Figure 10. Alibaba's Business Model Canvas



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The value proposition of Alibaba is to make easy to do business everywhere. Alibaba targets at the same time consumers and businesses. This is possible due to its multiple e-commerce platforms oriented to every kind of customer. For example, the platform of Taobao allows C2C transactions in the Chinese market, TMall operates B2C transactions in the Chinese market and Alibaba.com offers global wholesale trading.

One of the key resources of Alibaba is the value chain network constructed with the collaboration of different partners involving different steps of the value chain. Collaborating and acquiring companies involved in areas of the value chains such as marketing, distribution, or logistics, provide Alibaba the opportunity to reduce risks and support its suppliers and customers.

The revenue stream came to Alibaba mainly through the application of commissions in any e-commerce transaction.

Strategy

Imitation process

Alibaba started in 1999 as the consequence of the boom of internet when Jack Ma show the opportunity to introduce electronic commerce in the Chinese market. The activity of e-commerce was present in United States with pioneer companies like Amazon and eBay. Alibaba, inspired by these innovators, imitated their business model in order to create an e-commerce marketplace for Chinese wholesalers. Through this process of imitation Alibaba was introducing a known business model into a new market.

Once Alibaba started gaining customers and generating revenue, in 2003 it launched the platform of Taobao, a C2C platform with similar characteristic of eBay. In fact, eBay entered



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in china in 2004. This same year, Amazon acquired a Joyo and started operating in China under Joyo's name until 2007 when the surname of Amazon was introduced. In 2008 Alibaba launched the platform of TMall, a B2C platform with premium brand sellers with the objective of competing with the presence of Amazon. (Alibaba Group, 2017)

At this point is where Alibaba changes their existing business model to introduce a new one. Alibaba was not only a platform for wholesales but also for consumers. With the words of Jack Ma, "if Amazon is and apple, we are the apple tree"

Strategy typology

Attending to the classification of company strategy of Miles and Snow. The current strategy of Alibaba is clearly the Analyzers. With the success established by the wholesale marketplace, Alibaba was able to maintain their competitive position and increase on efficiency. At the same time, Alibaba did not stop on searching for new products or markets to target. As the result of these efforts, they took they used imitation of success companies like Amazon and eBay, to expand their business areas and generate more revenue.

Success rates

From data of the 2016 annual report, Alibaba reached a revenue of \$15.686 million USD with an increasing of 32,73% compared to the year 2015. The 83% of the revenue come from the Chinese commerce and the 27% from the international commerce.

On December 2016 the mobile Monthly Active Users (MAU) of Alibaba reached 493 million, an increase of 100 million compared to the number one year before.

From this data it is possible to observe the size of Alibaba, its continuous growing and that its business in China is generates more revenue than the international.

6.3 Case 2: Tencent - WeChat



6.3.1 Company Overview

Tencent was founded in 1998. Tencent provides Internet value added services in China. With a strategy focus on user orientation, Tencent has become a leading company in China bringing a wide range of new applications and influencing the way people communicate. (Tencent Holdings, 2017)

Tencent's mission is "to enhance the quality of human life through Internet services" (Tencent Holdings, 2017)

Tencent's vision is "to become the most respected Internet enterprise" (Tencent Holdings, 2017)

For developing their vision Tencent's goal is to increase its development and innovation capabilities for a long term development. With more than 50% of the employees working in the R&D department, Tencent has acquired patents in areas of e-commerce, online payment services, instant messaging and others. The creation and investments in the Tencent Research Institute provide the development of core Internet technology seeking



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the development and innovation of the industry. Tencent has also developed social corporate projects in order to enhance the brand across China. (Tencent Holdings, 2017)

Tencent operates in many different business areas including, social networks, online payment entertainment, information, utilities, platform and artificial intelligence. For the interest of the project, the author decided to focus on the area of social networks, specifically in the application of WeChat. (Tencent Holdings, 2017)

WeChat is a mobile phone application based on social relationships. Launched in 2011, it has more than 938 million monthly active users in 2017, who can have real-time communication, via text and multimedia messages, make video calls or shared pictures (Tencent Holdings, 2017). As an evolution of the user needs, the platform provides additional services including official accounts for enterprises where they can offer original customer experiences. This allow users to order a taxi, buy cinema tickets, order food, rent a bike or book on a restaurant, just through this app. Furthermore, WeChat has developed their own mobile pay system, WeChat Pay, facilitating this transaction and allowing users to pay through the app in any establishment by scanning a QR code. WeChat has brought a mobile life style becoming a connector for user and businesses. (Tencent Holdings, 2017)

6.3.2 Company innovation

WeChat's goal is to create a mobile lifestyle addressing users' daily needs including social and non-social needs. This view contrasts with the goal of its model and direct competitor, Facebook which intends to create the largest social network in the world. As a result of this philosophy, WeChat has developed the innovative model of an "app within an app" with millions of apps inside which can be compared with webpages on internet. (Chan, 2015)



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This inside apps are the ones called “official accounts” and include a wide range of firms in different sectors for example, banks, fashion brands, hospitals, celebrities webpages, start-ups, car manufactures or personal blogs. User can add this official account as the same way they add friends.

Through its own online payment service WeChat app has a portal called “WeChat Wallet” where the user after entering their payment credentials can access to services providers. Through this WeChat unlock new monetization opportunities and enhancing a buying behavior on customers.

WeChat has integrate the mobile phone into the real world. It provide the possibility of translate English text into Chinese, use GPS to search for business, identify a song through the radio or find strangers nearby. Furthermore, they have also developed a toy who can reproduce and record voice messages so parents can interact with their children by sending voice messages through their mobile phone to this toy. (Chan, 2015)

WeChat has taken advantage of an emerging way of doing business through social networking communications. WeChat provide the opportunity to firms to promote and sell product through their platform. In 2014 there was 10 million of business firms in WeChat and the sales reached 150 billion RMB. The characteristic of being people-oriented allows firms to create an innovative customer relationships. Companies can post discount, new product details and get feedback from the users. In addition, WeChat gives the opportunity to entrepreneurs to test and develop their products through its platform. With this collaboration the app developers can test their products on the frame of the social network of China and acquire data from potential users. On the other hand, WeChat gains a potential partner and gather data from the particular sector. (Chan, 2015)



6.3.3 Company Analysis

Business Model

The following figure 11 represents the business model canvas of WeChat

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> * JD.com * QQ.com * Didi Chuangxing * Principal banks of China * Chinese Government * Others 	<ul style="list-style-type: none"> * IM service * Networking service * Sticker store * Games 	<ul style="list-style-type: none"> * App within an app * Official accounts * Mobile phone lifestyle 	<ul style="list-style-type: none"> * Official account users * App developers 	<ul style="list-style-type: none"> * App users * Official account user * App developers
	<p>Key Resources</p> <ul style="list-style-type: none"> * Technological and financial support by Tencent * Big data generated 		<p>Channels</p> <ul style="list-style-type: none"> * WeChat platform 	
<p>Cost Structure</p> <ul style="list-style-type: none"> * Maintenance of the platform * R&D * Promotion and advertising 		<p>Revenue Streams</p> <ul style="list-style-type: none"> * E-commerce commissions * Value-added services 		

Figure 11. WeChat's Business Model Canvas

The value proposition of WeChat is to create a mobile phone life-style addressing customer needs through the services, social and not social, provided by its platform. The customer segment target of the company can be divided into three groups. The first group are the common users of the app, the second are the official accounts that through WeChat can



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promote and sell their products at the same time that they develop a relationship with their customer. And the last one, the app developers that can use WeChat as a way to test their products. Building a relationship with the last two groups can bring WeChat the strategic alliance with partners that will help the company to reduce risks and acquire knowledge.

The key resources of WeChat are, on the one hand, the support of a big tech parent company as Tencent and, on the other hand, the quantity of big data generated within its platforms. With millions of users, the amount of transactions and interactions are big, these generate useful information for customer preferences and target advertisement.

WeChat revenues streams are mainly through the commissions of the transactions done through its platform. The purchasing of premium value-added services is also a way of earning money.

Strategy

Imitation process

WeChat was launched in 2011 imitating the model of WhatsApp, just one year later in April 2012 they added the feature of moments, which allow the users to share pictures, videos or new in the same way that Facebook and twitter do. In July of the same year WeChat incorporates the possibility of video calls with contacts. In less than three years, WeChat was able to gather in one app the main features of the biggest companies in the sector, WhatsApp, Twitter, Facebook and Skype. The following years, WeChat continued launching different updates of the app with features ahead of the mentioned competitors. One of the updates include payment service WeChat Pay in 2013, WeChat used cross industry imitation looking into this model typically from the e-commerce platforms and include it into its app. Other updates are the “Life services” like taxi hailing, movie tickets or shopping in 2014.



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Strategy typology

Looking at the diversify markets Tencents operate with, could give the impression that it is a company following a Prospector strategy due to its large investment in research development and the presence different business areas. However Tencent has demonstrated a fairly efficiency on the market considered as one of the biggest companies in China. Looking in particularly to the application of WeChat, Tencent used imitation in order to quickly introduce features of its competitors into its app, obtaining as a consequence a reduction on the time to market. The factor that Tencent have previous experience in social networks applications (QQ) and the amount of resources allocated on R&D have contributed as well to the fast development of the app.

Therefore, considering the proved efficiency of the company, the searching of new markets and the use of imitation for reduce expenses, it is possible to considerer Tencent as an Analyzer.

Success rate

From data of the annual report of 2016 Tencent reached a revenue of \$20,26 billion USD with an increasing of 48% from the year 2015. In 2016, Facebook reached \$27,64 billion USD. This data shows the size of Tencent with similar numbers on revenue that Facebook and a good growing rate.

In terms of MAU, WeChat has reached 889,3 million (27,6% growth), Facebook 1,86 billion and WhatsApp 1,23 billion. This numbers need to be understand on the basis that WeChat mainly operates in China and Facebook and WhatsApp are spread around the world.

WeChat has only succeed in China yet. On one hand, because of the stablish position of the competitors in the rest of the world and the difficulty of introducing a new social network

into a new market. On the other hand, because the payment system only accepts Chinese credit cards and the added “Life services” are only available in China.

6.4 Xiaomi



6.4.1 Company Overview

Founded in 2010 by Lei Jun and headquartered in Beijing, Xiaomi is a private own technology company. Xiaomi is know because it make mobile phones comparable to iPhone in terms of processors, screens and its own operating system MIUI, but at a cheaper price. However, the range of products includes mobile phones, smartphones, tablets, laptops, smart home devices and others. Attending to figures of 2017, Xiaomi is considered the 5th largest smartphone maker on the world. (Mi, 2017)

Xiaomi’s mission is to *“make quality technology accessible to everyone”* (Mi, 2017)

Xiaomi’s vision is *“innovation to everyone”*. (Mi, 2017)

Lei Jun believes that *“high-quality technology doesn’t need to cost a fortune”*. Xiaomi incorporate feedback form users in order to *“develop remarkable hardware, software and internet service for the Mi fans”* (Mi, 2017)



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6.4.2 Company Innovation

Based on the entrepreneurial background of its founder, Lei Jun, when Xiaomi was founded was with the idea of creating a new business model for selling mobile phones. Focusing efforts and resources in developing a new operating system and in less than one year started selling the first mobile phone model in a limited quantity and through internet. The success of this first model create a good number of Xiaomi fans and trigger a long term plan for the company. (Thompson, 2015)

In 2013 Xiaomi hires Hugo Barra, former Google's product manager for Android, with the objective of global expansion. With the figure of Hugo Barra, Xiaomi claims that the main focus of the company is to develop software rather than hardware, launching weekly updates of their operating systems including customer feedback in the creation process. Xiaomi has taken this customer feedback as one of the starting points for success, as the company is able to understand the consumer's demands and to build a group of loyal clients. For gathering customer appreciations and enhance their relationship with the company, Xiaomi has created a customer forum where the issues of the last updating are discussing and resources are located into customer services. (Thompson, 2015)

Smartphone selling is the activity that generates more than 90% of the revenue. However Xiaomi has started developing Internet of Things devices which can be controlled by the mobile phone operating system. These products include televisions, bathroom scale, air purification machine, scale, cameras or laptops. (Thompson, 2015)

6.4.3 Company Analysis

Business Model Canvas

The following figure 12 represents the business model canvas of Xiaomi.

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
* Google * Youku Todou	* Software development	* High tech affordable smartphones * Customer oriented * Link between hardware and software	* Use of customer feedback for developing new products and technology * Customer engagement	* Middle class customers
	Key Resources * Content development		Channels * E-commerce * Few physical stores * Advertisement through customers	
Cost Structure		Revenue Streams		
* Production * R&D		* Smartphone sales * Other devices sales		

Figure 12. Xiaomi Business Model Canvas

The value proposition of Xiaomi is to provide high tech smartphone affordable to every customer. In order to achieve its value proposition Xiaomi has a good understanding of its customers, targeting the middle class of China, which is continuously growing, with affordable prices and the possibility of being involved in the product development. Through the customer relationship created, Xiaomi use the feedback of the customer for developing

new content. Furthermore, customers are one of the ways Xiaomi does its advertisement of their products.

The channels Xiaomi uses to sale its products is normally done through e-commerce basis. The motive of this is to access the most customers worldwide and that it is possible to reduce the cost of having a physical store. However, due to the large demand, in the last years, Xiaomi has inaugurated a few physical stores in China, India or Singapore. (ref Xiaomi)

Despite Xiaomi is producing wide range of devices, smartphone sales is the main source of revenue for the company.

Strategy

Imitation process

Xiaomi started operating in 2010, at this year the competition on the smartphone sellers' market was intense, with many players offering competitive products. Xiaomi decided to focus on Apple business model, creating a similar design and display as well as the development of its own operation system. However, Xiaomi intention was to build a smartphone available for every customer, on the contrary to Apple who targets premium customers. In order to achieve its mission, Xiaomi produced high quality smartphone with similar characteristics to Apple with lower prices. Furthermore, for the developing of the products they rely on customer feedback on the contrary to Apple who "push" its products to the market, while Xiaomi "pull" from customer's needs.

Xiaomi imitate the business model of Appel in order to launch a product with contrasted characteristics attractive to consumers. This imitation strategy allowed Xiaomi to rapidly enter into the market and start producing revenue.

Strategy typology

Xiaomi can be classified as a Prospector company. The reasons supporting this classification is its focus on innovation and the development of products like the internet of things devices which has no proof of being successful in the market yet.

Success rate

It is difficult to find exact information about Xiaomi due to it is a private own company and the recently decision of not releasing annual reports. However, Xiaomi estimated its sales of 2015 in 70 million devices and it has set the goal of reaching \$14,5 billion USD in revenue for 2017. The website gadgetsnow.com located Xiaomi as the 7th biggest smartphone company in 2017, after Samsung, Apple, Huawei, Oppo, Vivo and OnePlus.

For Xiaomi the success in China was easy due to it is a country with a mobile phone lifestyle, this factor was easy for them to gather customer feedback and engage customers. In the global context, the low prices are attractive to more and more people, also the internet selling help to this and to expand globally.

6.5 Analysis Summary

The purpose of this section is providing a summary of the analysis of the three Chinese companies studied. This section answer the research question 1.

Research question 1: *Which is the business model of the case study Chinese companies and the role of imitation on it?*



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Alibaba

The business model of Alibaba delivers the value proposition of make it easy to do business everywhere. Alibaba's customers include consumers and businesses that connect through the different platforms developed for each of them. With its strong partner network and value chain, Alibaba can provide support to its customers.

Alibaba adopts an Analyzer strategy and used imitation for introducing an established product into a new market and to reduce time to market.

The success of Alibaba is on the local market and partially in the international.

WeChat

The value proposition of the business model of WeChat is create a mobile phone life-style addressing customer needs. Targeting three different customers, app users, official accounts and app developers, WeChat partnered with the official accounts and app developers and establish a strong partner relationship.

WeChat is an Analyzer company, it used imitation of the first movers in order to reduce developing time and cross industry imitation to develop an innovative business model and a product globally new.

WeChat's success is primary on the local market and its participation in the global market is residual.

Xiaomi

Xiaomi delivers the value proposition of providing high tech smartphones affordable to everyone through its business model. For Xiaomi building a strong relationship with its



customers is critical due to it uses customer feedback for developing new content and customer loyalty as a marketing strategy.

Xiaomi is classify as a Prospector company due to its efforts on innovation and development of products with no contrasted success. However, Xiaomi apply imitation of the innovator on its sector in order to reduce time to market.

Xiaomi has achieved local and global success.

The following figure 13 provides a summary of the main characteristic of the case study companies.

Company	Business Model	Adaptation Strategy	Imitation Context	Success
Alibaba	<ul style="list-style-type: none"> * Make easy to do business everywhere * Strong value chain network 	<ul style="list-style-type: none"> * Analyzer * Introduce a product new for the market 	<ul style="list-style-type: none"> * Imitation reduce time to market * Introduce a product new for the market 	<ul style="list-style-type: none"> * Local market success * Small success in global market
WeChat	<ul style="list-style-type: none"> * Mobile phone life-style addressing customer needs * Strong partner relationship 	<ul style="list-style-type: none"> * Analyzer * Development of new features can make it to become first mover 	<ul style="list-style-type: none"> * Imitation reduce time of development * Cross industry imitation to create first mover advantage 	<ul style="list-style-type: none"> * Local market success * Unsuccessful in global market
Xiaomi	<ul style="list-style-type: none"> * Affordable high tech smartphones * Strong customer relationship 	<ul style="list-style-type: none"> * Prospector * New way of selling smartphones not new market or product 	<ul style="list-style-type: none"> * Imitation of market leader * Imitation reduce time to market 	<ul style="list-style-type: none"> * Local market success * Global market success

Figure 13. Analysis Summary



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7. Discussion and Suggestions

This section will answer the research question 2 introduced in the chapter 4, Problem Statement and Research Questions.

Research question 2: *What are the factors that influence the decision of imitation in the case study Chinese companies?*

The purpose of this chapter is to discuss the results of the analysis of the three case study companies in relation with theory and suggest applications for answering the problem statement question.

Through the analysis of the cases and the relation with the theory on imitation, it was possible to identify some factors concerning imitation and its relation with the strategical growth of the company. The factors observed are related with timing, newness, imitation context, cultural context and innovation context. In the following section these factors will be presented and discussed.

Factors affecting the decision of imitation

After the analysis the cases and related them with the theory of imitation, some behaviors and factors were identify. Some of the factors are presented in one or two of the case companies and not in the remaining one. The degree of implication is as well different depending on the case company. Each of the factors are explained and discussed one by one and their implication in each of the case companies.



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- Timing

Miles and Snow (1987) pointed that Analyzer companies use the strategy of imitating Prospector's successful products in order to reduce time to market when face new product development or new market entrance. Furthermore, most of the theory concerning imitation suggest that one of the main benefits of imitation is reducing the resources allocated to research and development as well as the time to develop a product (Valdani and Arbore, 2007. Shenkar, 2010. Shenkar, 2011).

The analysis of the case companies shows the application of imitation with the purpose of timing. This factor is especially present in the cases of WeChat and Xiaomi, the details will be discussed for each of the cases.

When WeChat was launched in 2011, it was practically a Chinese version of WhatsApp. On the following years, WeChat upload updates integrating features of the market leaders in social networks. Typically, the time frame for this adding one of the new features was approximately one year. The time for launching this new applications in comparison with the innovator companies was fairly short. WhatsApp for example took X years to introduce video calls on its app. X years Facebook needed to develop its Facebook Messenger app.

Looking into the models of the innovators helped WeChat in reducing the time for launching and adapting its app. It was possible to reduce the developing time of the app by understanding the design, disposition and integration of the products.

When Xiaomi, at difference of other followers, decided to imitate Apple's design and display was with the objective of quickly start selling and generating revenue. It was a successful contrasted product in the market that selling it a low price will help to achieve the purpose.

In the case of Alibaba, the factor of timing was not as decisive as in the other two companies. However, this factor is present when Alibaba, following an Analyzer strategy,



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use imitation of eBay and Amazon in order to introduce Taobao and TMall in less time and with less resources than developed by Alibaba itself.

- *Newness on the market*

When studied the factor of newness, it is related, with the newness of the product or the business model for the global market and for a local market. Meaning that one product could be a known product in some countries' markets (United States or Europe) but at the same time new for the market in others countries (China). Therefore, imitation for introducing an establish product to a new market can result in a first mover advantage (Shenkar, 2011).

This situation of newness on the market was well exploited by Alibaba, Jack Ma show the possibility of incorporating the e-commerce business model presented in United States into China, becoming the first e-commerce company in the country. By understanding how the system works in America, he applied the same concept to a platform specially design for Chinese people and the Chinese market.

WeChat yes, at first the product offered a social network platform, which was an establish product in the market chines market with, WhatsApp, Facebook or QQ, in fact, this QQ app was developed by Tencent. However when it comes to some product to the market was when it gathered the applications of the competitors and started adding the social life servi

On the other hand, the cases of WeChat and Xiaomi do not support this observation. When WeChat was launched in 2011, social networks companies were present in the Chinese market with local players (e.g. QQ) and no local players (e.g. Facebook) and when Xiaomi started operating the smartphone market in China was well developed and with many companies competing.



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- Imitation Context

The imitation context refers to which company is targeted for imitation. Whether it could be, the innovator first mover successful company or other small company with an innovative product but may be not the resources or capabilities to develop it better. Furthermore, in this imitation context it is possible to add the cross industry imitation. The theory introduce this imitation practice as a source of innovation (Enkel and Mezger, 2013).

From the three cases studied, the imitated company was the innovator company in its sector. In the case of Alibaba the companies imitated were Amazon and eBay. WeChat use as a model Facebook, WhatsApp and others. The case of Xiaomi is interesting in terms that it imitates Apple in a more complete way than the other competitors, which most of them only developed the smartphone hardware and use the operating system provided by Android. The reason of imitate the innovator company is to develop a contrast product in the market and secure market share.

However it is not the case on the companies, imitation of a company idea or business model which as not enough resources can be a factor for strategical growth.

Attending to a cross industry imitation, WeChat demonstrate that can be a great idea for secure strategical growth. Looking into the electronic payment systems developed for e-commerce purpose, WeChat developed its own payment system within the social network app. This new feature provide the opportunity of exchange money between friends and pay in establishments prepared by scanning QR codes. This application of imitation delivered WeChat a competitive advantage compare to the competitors and a new form of delivering value to its customers.

- Cultural Context

The cultural context factor is related with the success of the product or the company in a local market. There are cases when one company is success in countries in Europe but when it comes to Asia, or vice versa, due to the cultural differences the same product does not succeed in that market. This is one factor that companies should be aware of when use the imitation strategy.

The three case companies did it well when they adapt the “western” versions of the product into the Chinese market. However on the other direction, adopting their business model to a global market, they found some complications and achieved different success.

Alibaba was able to successfully adapt the American e-business model to China. In terms of global market, Alibaba is gaining year after year more presence. In fact, part of its business strategy is growing globally and the use of different platforms targeting different markets is a key factor for achieving it.

Xiaomi has a global business view and the principal channel for sales is based on e-commerce, therefore it can reach customers along the globe. The product offer is attractive to most of the countries in the world but most of the customers are in china, mainly because the language of the operation system is still in Chinese.

On the other hand, the case of WeChat is significant. It is the social network most used in China with innovative features useful in the daily life but its presence in the rest of the world is residual. China is a society mobile phone oriented, WeChat launched its product oriented to the Chinese market and the adaptation and success of the app was quick. On the other hand, in a culture like American or European, where the mobile phone use is not as spread as in China and changes take more time, it is nowadays difficult to adopt the changes required to fully exploit the qualities of WeChat. Furthermore, the efforts required for switching customers from one social network to another difficult more WeChat integration.



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- Innovation context

The theory of imitation pointed that imitation is a good practice when entering in a new market (Valdani and Arbore, 2007; Jin, 2009; Shenkar 2010) but when the company or the product is established in the market, only the imitation strategy is not enough to secure strategical growth (Barkema and Schijven, 2008) and innovation enter as a key factor for the firm (Shenkar, 2011). Attending to this, Shenkar (2011) states that imitation and innovation are closer than it seems and companies have shown that changing the position from second movers to innovators is possible by joining imitation and innovation. Furthermore, concepts like creative imitation (Lewitt, 1966) and absorptive imitation (Kim, 1997) emphasize this change.

Therefore, through the analysis of the companies it is possible to observe this pattern of becoming innovators through imitation. Considering that one change in the disposition of the business model implies the construction of a new business model, it is possible to say that the three companies have develop innovative business model.

Alibaba used imitation to introduce whole sale e-commerce in China, a known product in a new market. Once the product was introduced, Alibaba aim big and launched different platform for satisfying e-commerce needs of not only wholesales, but also small business and consumers. Consequently, Alibaba was capable of developing a supply network that support all the players and becoming a leader in the market based on its innovative business model.

WeChat focus its imitation strategies innovators leaders on the social network and on a cross industry imitation. WeChat was able to integrated in one app most of the features of the competitors and create a new business model delivering value with an app which can interact with the environment and solve customers' needs.



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Xiaomi imitated Apple's business model, changing the way of developing the product, basing customer feedback as a key factor of its success. In addition, Xiaomi could increase sales due to it launched its products with low prices in comparison with the competitors.

Suggestions

From the analysis of this cases study Chinese companies and the identification of the factors affecting the decision of imitation, the author suggest that imitation can be a good strategy for securing strategic growth in two cases:

1. When companies want to secure competition and effectible adapt to changes in the market.

This suggestion imply a short term perspective and it is based on second mover's strategy. From this perspective, imitation is used in order to reduce time to market, save resource allocation in product development and secure competition introducing a similar product to the innovator on the market. The factors observed in the case companies and that support this approach are timing and the imitation of the innovator in the market.

2. When companies want to create changes on the market and gain a first mover advantage.

This suggestions is related to a long term perspective and creating a first mover advantage. The application of imitation in this case is with the purpose of creating changes on the market and move from a second mover position to a first mover in the market. The factors observed in the case companies studied are the introduction of a develop product into a new market, cross industry imitation and creative imitation with the objective of develop a new business model



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8. Limitations

This section describe the certain limitations that this project presents.

The project has a theoretical approach and lacks on a practical perspective. The main data sources are second sources for the analysis of the companies is from public financial reports, articles and the author experience. Ideally a collaboration with the study companies would be helpful for contrasting information and acquired primary information through interviews and questionnaires' in order to provide more reliable suggestions.

The size of the sample for analysis is limited to three companies. A bigger size of the sampling could have lead into the identification of more factors affecting the decision of imitation and provide more quality suggestions. In addition, the three sample companies are Chinese, with an analysis of a more diverse sample different results could be presented.

Due to the limited time frame for developing the project, the investigation is not as accurate as it could be with more time and resources for developing the project

9. Conclusion

The purpose of this section is to conclude the findings of the project and the suggestions to solve the problem statement. This is done by answering the two research questions.

Research question 1: *Which is the business model of the case study Chinese companies and the role of imitation on it?*

Alibaba

Alibaba mission is to make it easy to do business everywhere and achieved it through supporting its customers with a strong partner network. Alibaba adopts an Analyzer strategy and used imitation for introducing an established product into a new market and to reduce time to market. The success achieved by Alibaba is on the local market and partially in the international.

WeChat

WeChat propose the creation of a mobile phone life-style addressing customer needs. The value proposition is delivered by targeting three different customers and transforming some of them into partners. WeChat is an Analyzer company, it used innovators imitation in order to reduce developing time and cross industry imitation to develop an innovative business model and develop a product globally new. WeChat's success is primary on the local market



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Xiaomi

Xiaomi delivers the value proposition of providing high tech smartphones affordable to everyone through its business model by building a strong relationship with its customers. Xiaomi is classified as a Prospector company due to its efforts on innovation and development of products with no contrasted success. However, Xiaomi applies imitation of the innovator on its sector in order to reduce time to market. The success of Xiaomi is in the local and the global market.

Research question 2: *What are the factors that influence the decision of imitation in the case study Chinese companies?*

The factors observed from the case study Chinese companies influencing the decision of imitation are the followings:

1. Timing
2. Newness on the market
3. Imitation context
4. Cultural context
5. Innovation context



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Therefore, with the analysis of the business model and the role of imitation it was possible to identify the factors influencing the decision of imitation and from this factors and the theory on imitation develop a suggestion for answering the problem statement.

“When imitation is a good strategy for strategical growth?”

1. When companies want to secure competition and effectible adapt to changes in the market.
2. When companies want to create changes in the market and gain a first mover advantage.

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