These 6 Chinese Tech Giants Are Ramping Up The Pace Of Innovation For The World

Alibaba, Tencent, Xiaomi, BBK Electronics, Huawei, and Dalian Wanda are changing the products and services you use, whether you know it or not.

Austin Carr 02.13.17 6:00 AM

In October, Steven Spielberg, the highest-grossing film director of all time, traveled to Beijing for a meeting with Jack Ma, China's second-richest man and the cofounder of Alibaba, one of the most valuable internet companies in the world's second-largest economy. Together, they inked a deal that gives Spielberg's Amblin Entertainment production company the financial backing of the e-commerce giant, along with its marketing savvy and substantial distribution power—the elusive keys, in other words, to making a truly global blockbuster.

Ma, a film buff who reportedly loves *The Godfather* and calls Forrest Gump his hero, had circled Hollywood for some years, and even committed $1.5 billion to a film fund that helped bankroll and market *Star Trek Beyond* and *Mission: Impossible—Rogue Nation*, but this was his first direct alliance. At a press conference announcing the deal, the titans, dressed alike in dark suits with cups of tea between them, heaped praise on each other. "I never thought in my life I'd see this legendary master," Ma told the crowd in Beijing, while touting the "cultural bridge" they were building. Spielberg declared that the deal will allow them to "bring more China to America, and bring more America to China."

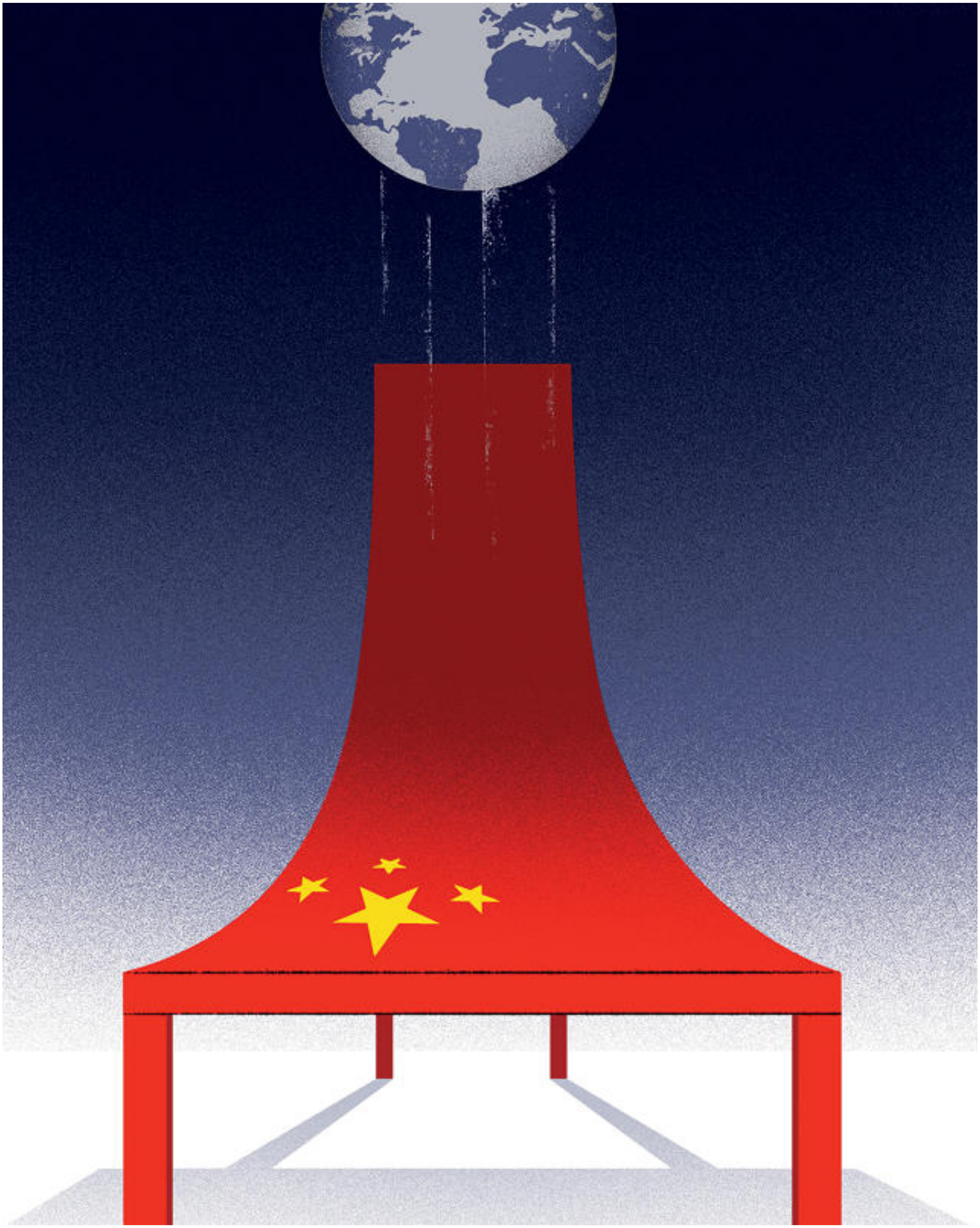
The sight of Spielberg, the quintessentially American storyteller, seated alongside Ma, the quintessentially Chinese tech entrepreneur, was more than just a signal of China's growing influence on the film industry. It was also the latest in a string of recent developments illuminating just how much Chinese companies are influencing some of the most innovative and important U.S. businesses. With a market that some observers argue has become the most dynamic in the world, China has become a colossal source of capital and creative thinking well beyond its shores. Increasingly, it is leading the way in everything from mobile software and services to devices and entertainment. And it's accelerating the pace for the rest of the world, whether or not consumers know it.

Alibaba is just one of a slew of ambitious Chinese tech companies that has been at the forefront of the convergence between China and America. What they have in common is a birthplace that's more crucible than cradle. This year, the Chinese box office will likely eclipse the U.S.'s. So too could the value of venture-backed investments in China, which approached $50 billion last year (up 943% since 2013). China now ties or tops the U.S. market in online retail, mobile device sales, digital payments, gaming, renewable energy investments, and more. With more than half of its 1.37 billion citizens online, 90% of them via smartphone, China has seen an explosion of tech behemoths and upstarts driving innovation hubs like Beijing and Shenzhen to become more hypercompetitive than even Silicon Valley.

Less than a decade ago, China's reputation was for spinning out shameless copycats of Western products, but today the model has been flipped. Spurred by an influx in VC dollars and talent, increased product sophistication, and a market maturing to meet the unique demands of China's population, "you ended up with this different evolution from the rest of the world, a continental internet broken off from the Pangaea, which led to different interfaces, different market dynamics," says Calvin Chin, CEO of Shanghai-based accelerator Transist Impact Labs. Then things really picked up steam. "Imagine *The Hunger Games*," says Connie Chan, a partner at Andreessen Horowitz who analyzes the Chinese technology industry. "[It comes down to] the sheer size [of the country]. For any one company in the U.S., there might be 10 equivalents in China. In order to survive, you have to iterate that much faster."

This kind of rivalry has catapulted social media platforms WeChat and Alipay well past their American counterparts. When WeChat, which is owned by **Tencent**, launched six years ago, it was a mere chat app, while Alibaba's Alipay basically acted as a PayPal for the company's e-commerce marketplaces. But in fewer than two years, WeChat gained 200 million users, and soon expanded into mobile payments, a move that Alibaba's Ma called a "Pearl Harbor attack" on his company. The fierce competition led to a spree of innovations, which, by 2015, had propelled China's mobile-transaction volume ahead of the U.S.'s, to $235 billion, and morphed WeChat and Alipay into services that have become the envy of Facebook, Google, and Snapchat. Hundreds of millions of Chinese consumers now depend on these all-in-one apps to do, well, everything: interact with friends; pay for cabs and utility bills; book hotels, flights, and even dentist appointments; find love; and read news.

U.S. tech companies have long dreamed of building that kind of universal experience on a single platform, and they're now scrambling to re-create what's become standard in China. This year, Facebook began experimenting with incorporating WeChat-inspired customer-service bots and other business features into Messenger, while Snapchat has toyed with integrating payments into its communication platform. Meanwhile, Tencent is already orchestrating its next paradigm shift: It just unveiled Mini Program, a new platform that allows other services to build versions of their apps inside WeChat (like bots, but better), which some believe could transform the messaging service into a full operating system. Albert Liu, EVP of corporate development at Verifone, which partnered with Alipay in October to bring its payments service to North America, now doesn't know whether to call these messaging platforms "super apps" or gateways to the internet. "The advantage of super lifestyle apps like Alipay or WeChat is they've connected incrementally more data than an app that's just focused on a single area: Alipay knows where you've traveled, what movies you saw, what restaurants you ate at," he says. "There is no comparison with anything in the U.S. Maybe Facebook eventually gets there—maybe."



The velocity of competition is just as torrid in the hardware market. Google veteran Hugo Barra, who recently stepped down as Xiaomi vice president, has witnessed firsthand the extreme market fluctuations in China, where new brands displace incumbents with lightning speed. When Barra joined **Xiaomi** in late 2013, the then-three-year-old hardware maker was rocketing to become the No. 1 smartphone maker in China. Clever flash sales of its sleek flagship Mi devices (which rivaled the iPhone in quality) created fervor, and weekly operating-system updates made consumers feel like they were part of the design process. In 2015, with Xiaomi's growth slowing, **Huawei**, a telecom manufacturing giant, stole its crown, thanks to its carrier relationships and a massive investment in using its expertise to build its own consumer devices. And then Oppo and Vivo, subsidiaries of **BBK Electronics**, dominated 2016, by smartly targeting lesser-developed cities (which by American standards are still enormous) while pushing youth-oriented features, such as the new Vivo V5's 20-megapixel front-facing camera, the perfect tool for the selfie-obsessed.

"Chinese technology companies, both in hardware and software, are moving so fast from one generation to the next," Barra says. "There's so much resource investment here, so much productivity, and obviously the fact that the supply chain is [in China] makes things easier too." You can be sure that Apple, whose China market share slipped 37% in a single quarter last year, is studying every move. Huawei recently announced its new Mate 9, the first smartphone embedded with Amazon's Alexa voice assistant. And by the time the iPhone 8 finally lands this fall with a rumored bezel-less display, Xiaomi's Mi Mix smartphone, which features a stunning edge-to-edge screen that reviewers have called the future of mobile devices, will have already been on the market for close to a year. "The average Chinese consumer has become incredibly discerning," says Barra. "Their demand for consumer innovation is ahead of any other market in the world."

In the past year, no industry has attracted more Chinese interest (and raised American alarm) than entertainment, which Chinese companies are pursuing with a mix of prodigious capital and strategic deal-making. Tencent and real estate giant **Dalian Wanda** have joined Alibaba in committing billions of dollars to help produce the kind of technologically ambitious and expensive film and TV projects that appeal to global audiences. Given the idiosyncrasies of the Chinese market (traditional Western advertising campaigns tend to fall flat there, and the country places strict quotas on non-Chinese films), American studios need to partner with these companies to access this key element of the global box office. "If you're going to spend over $100 million on a movie and ignore the Chinese market," says Max Michael, head of Asian business development for the United Talent Agency, "you're not doing your job right."

Wang Jianlin*[Photo: VCG/Contributor/Getty Images]*

China, in turn, is intent on learning the ins and outs of filmmaking from Hollywood as it builds up its own moviemaking infrastructure. In 2016, for example, Wanda chairman Wang Jianlin, the richest man in China (just ahead of Alibaba's Ma), helped orchestrate the acquisition of Legendary Entertainment, the production company behind *The Dark Knight* and *The Hangover*, for $3.5 billion. Wang previously purchased U.S.-based AMC Theatres, which made Wanda the biggest cinema operator in the world, and more recently struck a high-profile deal with Sony Pictures to cofinance and market Sony movies in China. (Last November, he also acquired prolific awards-show producer Dick Clark Productions.) Wang is said to be looking to make similar deals with the other major studios, while working to entice Hollywood to film at Wanda's new $8 billion production facility in Qingdao. "The Chinese market loves Hollywood content. At the same time, they love to learn from Hollywood," says Jack Gao, Wanda's head of international investments and operations.

The implication of these aggressive moves is palpable. Wanda's acquisition streak has led members of Congress to request a Justice Department investigation into potential "foreign propaganda influence over American media." Meanwhile, in the smartphone arena, suspicions of Huawei's ties to the Chinese government have kept the telecom company from spreading its wares in the U.S. With isolationist trade policies and a more combative relationship with China likely during the Trump administration, some American and Chinese companies and investors with interests linking the world's two largest economies are apprehensive about the years ahead.

But whether or not a specific product or brand from China ever becomes ubiquitous in the U.S., the underlying innovations are already being imported and exported, impacting Americans regardless. You can see it reflected in the design and build of your phone, in the way you interact with friends and businesses, and in the entertainment you consume. In that sense, the "cultural bridge" Spielberg and Ma discussed in Beijing is already being constructed. And no walls, physical or digital, will likely be able to stop it.

Additional reporting/writing by Nicole LaPorte.

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