March Ahead of the Competition through Word of Mouth

Applying the BCG Brand Advocacy Index to Technology, Media & Telecommunications in China

François Candelon, Fang Ruan, Sam Chen, and David Feng

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Executive Summary

To measure advocacy with greater precision than existing approaches, The Boston Consulting Group (BCG) has developed a strategic metric called the Brand Advocacy Index (BAI). Unlike competing measures, BAI is strongly correlated with top-line growth and can help identify concrete actions for improving advocacy.

Advocacy Drives Customer Decisions and Growth
Our research both worldwide and in China shows that brands with higher levels of advocacy – the most recommended brands – significantly outperform heavily criticized companies in top-line growth. Companies can leverage advocacy to not only improve results, but also uncover the rational and emotional factors that motivate people to recommend a brand. They can also discern the relative influence of both customers and noncustomers in driving recommendations.

How Chinese TMT Companies Rank in Word-of-Mouth
We share our findings from a BAI survey of Chinese technology, media & telecommunications (TMT) companies, in handsets, tablets, smart TVs, PCs, and telecommunications. A deep understanding of advocacy, and how companies stack up to competitors, can lend new insights into how a brand is conceived and enable firms to use advocacy to drive growth.

1. Word-of-Mouth Drives Customer Decisions
Word-of-mouth recommendations from customers, or brand advocacy, are a signal of how successful a brand is. Companies or products with strong levels of brand advocacy enjoy a greater presence in customers’ minds and are more competitive. Smart marketers will tap the power of brand advocacy to drive top-line growth.

A critical challenge for companies that seek to leverage brand advocacy is finding a way to measure it precisely. Quantifying it is the best way to demonstrate its top-line impact, and develop strategies to improve word-of-mouth. To address this need, BCG has created the Brand Advocacy Index (BAI), a strategic metric that measures advocacy with far greater precision than existing approaches. It displays a strong correlation with top-line growth and helps identify concrete actions for improving advocacy. Its measures enable us to propose feasible next steps for both superior and inferior BAI performance.

Brands armed with a thorough understanding of advocacy can also pinpoint advocates that might otherwise remain overlooked, and learn their motivations. They can uncover the relative influence of both customers and noncustomers in driving recommendations, as well as the functional and emotional factors that motivate both groups to recommend brands. Companies can determine recommendations and criticisms by demographic, across the globe or within a country, and from there, identify the most and least successful tactics for improving advocacy.
Although advocacy levels vary widely by industry and country, we have not found a single category in which advocacy is irrelevant. In this report, we demonstrate the precise mechanisms for measuring and managing brand advocacy in China’s Technology, Media & Telecommunications (TMT) market. Brands that successfully harness these insights will be able to march ahead of the competition.

Advocacy is gaining more and more impact on customer purchase behavior. Our survey of more than 32,000 customers in Europe and the US shows that it is more relevant than ever when making shopping decisions. Of our respondents, 66 percent seek opinions from friends and relatives, and 50 percent consult consumer opinions online; both figures are higher than the percentage of people who seek input from media. People are losing their trust in traditional mass media, and relying more on recommendations from trusted advocates. As a result, purchasing decisions based on advocacy is growing, while those based on advertisements is shrinking. The trend toward advocacy has also been accelerated by advancements in communications technology.

BCG conducted an extension survey in the third quarter of 2013 to understand the impact of advocacy in China’s TMT sectors. The results from more than 8,500 respondents indicate that advocacy serves as a significant information channel. Generally, 45 to 50 percent of respondents across different age groups and city tiers reported that they collect information from friends, relatives, and online user comments when they are not familiar with a brand.

We also observed high levels of advocacy in TMT categories that include smart TVs, handsets, tablets, and PCs. These products not only offer functional benefits, but also provide larger emotional benefits to customers. Customers usually invest a great deal of time into researching the best products with the best value for them, and spend a large percentage of their income on them.

In an era when traditional media’s influence is declining, and advocacy is becoming the most popular and trusted source for recommendations among customers, companies need to incorporate advocacy into their marketing mix and leverage positive word-of-mouth to achieve their advertising objectives. (See Exhibit 1.)

Advocacy has several advantages over advertising. Advocacy can be developed at much less cost, and with more, and more continuous, impact. Advocacy programs can be piloted at low scale and with little investment, and the results can be measured and scaled up quickly. These benefits make advocacy a good strategic alternative for marketing in some TMT categories. This is especially true for categories in which profitability is decreasing due to commoditization, but investment in advertising cannot be cut back due to severe competition.

2. The Brand Advocacy Index – a Simple but Precise and Comprehensive Advocacy Measurement Framework

To unleash the power of advocacy and capitalize on its strategic benefits, companies need a highly accurate metric for measuring it, with a proven link to top-line growth.

BCG’s new Brand Advocacy Index (BAI) offers a simple to execute, but highly precise and comprehensive framework for measuring advocacy. (See the Appendix for a detailed description of BCG’s unique approach to calculating brand advocacy.) BAI allows companies to understand advocacy levels of their brands and benchmark the results against those of their competitors. BAI can be applied to gain advocacy insights in
any industry, and helps companies understand their brand’s strengths or weaknesses – and the reasons behind them – by segment, country, region, and population. Companies can use these insights to help develop a brand strategy that proactively influences how they are perceived in the marketplace.

3. Strong Correlation between BAI and Growth

After conducting a survey of more than 300 brands in 12 industries in the US and Europe, BCG found a strong positive correlation coefficient between BAI and top-line growth - 81 percent, double that of other measures. (See Exhibit 2.) (BCG measures BAI’s effect on growth using the correlation coefficient known as Pearson’s r.)

Meanwhile, we also found BAI precisely predicts potential revenue growth across the major TMT categories in China, especially in smart TVs (98 percent positive correlation coefficient) and handsets (96 percent positive correlation coefficient). Exhibit 3 shows the strength of the growth correlation for leading TMT companies in China.

4. BAI Rank in China TMT Categories

Our BAI survey presents the most to least recommended brands in China, among TMT categories. (See Exhibit 4.) The survey combines recommendations from both customers and noncustomers of each brand. Some leading brands, like Samsung and Apple, consistently take leading word-of-mouth positions in their relevant categories.
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Exhibit 2. BAI Is Strongly Correlated with Top-line Growth
BCG world study found a strong positive correlation between BAI and top-line growth - 81 percent.1

Sources: IntelliSurvey; BCG analysis.
1From a BCG global study in 2011-2012 of more than 300 brands in 12 industries.
1Revenue (by home currency value) CAGR 2011-2012.

Exhibit 3. BAI Indicates Revenue Growth in China TMT Market

Sources: Market research; BCG analysis.
1CAGR 2011-2012.
The survey indicates that among newer innovations like smartphones, foreign leading brands are among the most recommended choices. For example, in smart TVs, Samsung, Panasonic, and Sony are the top three recommended brands, followed by Phillips and Sharp. In more mature categories, domestic brands have made it into the top three. In tablets and handsets, Huawei and MI are among the most highly recommended brands.

The BAI also sheds light on the importance of noncustomers in advocacy. Our survey shows that in China, TMT word-of-mouth from noncustomers is just as important as those from customers. Indeed, noncustomers are quite influential in China’s TMT market. In some categories with a longer history or higher churn rate (such as telecommunications), noncustomers include many former customers who are able to give equally credible and effective criticism or recommendations. For newer categories in which existing customers are early adapters or the early majority, noncustomers could, in the future, become the majority. Companies that fail to consider advocacy from noncustomers could miss out on a critical means of learning about their standing, and in so doing pass opportunities for top-line growth on to competitors.

5. The BAI Survey and Key Drivers of Advocacy in China TMT Categories

5.1 Handsets
Variation in BAI scores across handset brands is the highest of all TMT categories in China. The BAI score
gap between strong brands and weak brands is huge. Some brands, like Sony, Samsung, and MI, enjoy significantly strong word-of-mouth from customers compared to weak brands. (See Exhibit 5.)

By contrast, noncustomers are relatively indifferent about this category; noncustomer BAI scores are flat across handset brands. Current customers are the source of high variation in BAI score. This is because current customers can observe and compare handset products, due to their high portability and visibility, and have a more emotional link with products they can touch.

The majority – 63 percent – of handset customers are sensitive to price and less savvy about technology specs. They research options before making purchase decisions.

Value-for-money is the most important recommendation driver, followed by technical performance, design, and identification with the brand. Some brands, like HTC, offer a wide range of selection to compete for customers across the value spectrum, whereas other brands, like Apple, offer less selection, with a more concentrated value position. Samsung and Apple are ahead of other brands when it comes to the most important drivers. The least important drivers in handsets are customer service, fit with interests, and social responsibility.

Regarding technical performance, our survey indicates that customers care more about hardware specs and physical quality than software and operating systems. The former criteria are easier for consumers to assess than the latter. Hardware specs and physical qualities like what materials the device is made out of are easy to compare in stores, while evaluating the quality of software and operating systems takes time. From our interviews with customers, we found that customers willing to spend more
money value some optimal combination of screen size, resolution and color, and display reaction more highly. All customer groups had more criticisms than recommendations regarding system and software stability.

In terms of emotional benefits, feeling tasteful and fashionable are the most valued attributes, followed by a sense of being high end, innovative, and professional. A brand should take these attributes into consideration when articulating design and brand identification.

Advocacy drivers need to be carefully managed, as negative advocacy in handsets tends to be higher than in the others. Out of 52 percent valid advocacy, 3 percent is negative. Moreover, negative advocacy is believed more and leaves a more lasting impression than positive advocacy. The majority of negative advocacy was criticism about technical performance, especially frustrating-to-use operating systems and instable software.

5.2 Smart TVs
Of all the China TMT categories, BAI score variation was second highest in smart TVs. BAI score clearly distinguishes strong brands from weak brands in this category. (See Exhibit 6.)

Unlike the handset category, which saw varied advocacy from customers, variation in BAI score here comes from noncustomers. BAI scores from current customers regarding most players in this space are similar. This phenomenon might be explained by the relative newness of smart TVs; they are still in early stages of the product life-cycle. Most customers are still getting familiar with their first smart TVs, and have not yet had a chance to experience and compare different brands. Nonetheless, we observe that leading smart

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**Exhibit 6. BAI Survey on China Smart TV Market**

![Graphs showing BAI customer and BAI noncustomer distribution across brands and categories.](image)

**Sources:** Market survey (N=2,407); BCG analysis.
**Note:** Some figures do not add up to their totals due to rounding.
% of customers who recommend minus % of customers who criticize across each driver.
TV brands, like Samsung and Sony, receive stronger positive advocacy from noncustomers due to their recognized brand image as leading TV innovators.

Unlike relatively mature products in other TMT categories, smart TVs are predominantly advocated for due to technical performance, followed by identification with brand and value-for-money. Regarding technical performance, customers care most about physical quality and hardware specs. However, they have more awareness about legacy components like the TV’s display panel rather than about, for example, the complex functions that come embedded into smart TV systems. This is because different brands have different proprietary functions and definitions – some feature voice command, others include internet, etc.

Value-for-money, while no less important than the first two drivers, is advocated for by noncustomers more than by customers; noncustomers will convert into customers when prices are affordable. Customer service, design, fit with interests, and social responsibility are the least important advocacy drivers for smart TVs.

In terms of emotional benefits, eco-friendliness, feeling high end, and innovation are most valued. A brand should take these attributes into consideration when articulating proprietary technical functionalities, brand identification, and value proposition.

### 5.3 Tablets

Variation of BAI score across tablet brands is relatively flat. Yet, BAI scores of leading brands versus laggards are distinguishable. (See Exhibit 7.)

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Exhibit 7. BAI Survey on China Tablet Market

[Diagram showing BAI customer and noncustomer scores for different tablet brands.]

**Sources:** Market survey (N=2,986); BCG analysis.

**Note:** Some figures do not add up to their totals due to rounding. % of customers who recommend minus % of customers who criticize across each driver.
The leading tablet brands are mostly foreign, tier-1 players, including Samsung, Apple, and Microsoft. Latecomers to this segment, some of which are leveraging their existing foundation in PCs to compete, usually lag in BAI rank. This phenomenon is further confirmed by our interviews with customers. They perceive domestic brands as having a long way to go to catch up with foreign brands. They worry about product maturity of domestic brands, and some are not even aware that some products from domestic brands exist.

Tables have a large proportion of less tech savvy customers. We find that 77 percent of tablet customers are not familiar with technology specs. Over 50 percent of these customers are willing to pay more.

Technical performance is the most important recommendation driver, followed by customer service and value-for-money. Our survey found that technical performance turns customers into advocates. The higher BAI score a brand has in technology performance, the more positive word-of-mouth it receives from customers, even if their customer service and value-for-money scores are close to average.

Regarding technical performance, customers care most about hardware specs, system stability, and quality. Tablet customers, unlike those in other categories, treat software and APP as important technical criteria. Due to their limited technical knowledge, a significant proportion of customers evaluate hardware specs based on visible performance. They look at the quality of the HD video stream and APP performance as proxies for comparing hardware specs.

In terms of emotional benefits, a sense of tastefulness and a sense of being high-end are the most valued attributes, followed by seeming fashionable, innovative, and professional. This is similar to the key emotional benefit attributes for handsets.

5.4 PCs
BAI score across PC brands varies a great deal. (See Exhibit 8.) The variation primarily comes from noncustomers; BAI scores from PC brand customers fall close together.

Our interviews with noncustomers reveal that noncustomers tend to recommend based on what they have learned about a brand from peers or by the brand impression they already have. Those who are less tech savvy but have higher willingness to pay tend to recommend foreign brands like Apple and Samsung. Products from these brands benefit from the premium image and quality associated with other products of the same brand, including handsets and tablets. Noncustomers who care about price recommend domestic brands like Lenovo, which offers satisfactory specs at economical prices.

PCs are the most commoditized category among TMTs in China. A high 73 percent of PC customers are less willing to pay, and among them, the majority are less technology savvy.

Value-for-money is the most important recommendation driver, followed by technical performance, identification with brand, and customer service. PC customers show the highest levels of advocacy of any TMT category - 67 percent of them provide recommendations across drivers. When it comes to technical performance, customers are extremely aware about hardware specs. In terms of emotional benefits, feeling professional is the most valued attribute, followed by tastefulness and being high-end feeling.

BAI indicates that different PC brands under the same company should each have their own tailored advocacy plan. For example, Lenovo is most advocated for by older people and least recommended by everyone else, while their ThinkPad’s advocacy ranking is consistent across all demographics. With this
information in hand, companies can optimize their allocation of resources and improve performance on higher-priority drivers to more precisely win the market.

5.5 Telecommunications

In China’s telecommunications sector, BAI performance is consistent across all the sub-brands of an operator. Most operators have either strong or weak word-of-mouth across their businesses – in general service, corporate customers, the younger generation, etc. (See Exhibit 9.)

China Mobile’s sub-brands scored most highly in BAI, followed by China Unicom’s, then China Telecom’s. China Mobile receives strong word-of-mouth from both customers and noncustomers. With the exception of China Unicom’s Wo 3G, which receives word-of-mouth from customers just as strong as that for China Mobile’s sub-brands, China Unicom’s and China Telecom’s sub-brands generally receive weak word-of-mouth from customers and mediocre word-of-mouth from noncustomers.

Value-for-money is the most important recommendation driver, followed by network coverage and customer service. China Mobile’s sub-brands receive better customer word-of-mouth from all three of these primary advocacy drivers than their competitors’ sub-brands do. Of the functional benefits, both customers and noncustomers gave the most recognition to 3G signal coverage and service quality. Because they receive high levels of emotional attention from users, being strong on reliability and having comprehensive services can be the best ways to tighten a customer’s emotional link with a brand.

Based on the consistency of advocacy across sub-brands and the order of key advocacy drivers, we conclude
that the strong performers have sophisticated pricing mechanisms tailored by segment, well-constructed shared facilities (such as core network), and effective network management capabilities – all critical resources for value-for-money, coverage, and service.

6. Using BAI to Unleash the Power of Advocacy and Drive Growth

BAI is a fact-based approach to precisely measuring brand word-of-mouth. It provides a solid foundation for building strategies to drive top-line growth. With BAI in hand, managers can see how their brands are doing in attracting advocacy, understand what drives advocacy, and know how competitors’ brands are perceived. (See the Appendix for a detailed description of BCG’s BAI survey on major companies in China’s TMT market.)

Brands that are already strong on certain advocacy drivers should take advantage of their superior performance in these areas, and further deepen their relationship with customers to drive more positive word of mouth.

To unleash the power of brand strength, a “health check” is the necessary first step, which should address three key areas: First, is there a comprehensive advocacy strategy based on the observed brand strength? Second, what corresponding actions need to be taken to develop advocates, manage the relationship and speed up word of mouth around the brand? And third, does the company have the right capabilities, systems, and organization? Having developed a clear picture from the health check about where the brand is at in terms of advocacy, a tailored advocacy marketing plan can be created to enhance customer...
recognition in areas that are already well-communicated, and promote areas that are under perceived. Targeting the right customers, setting up disruptive messages that build emotional bonds with consumers, and building continuous relationships for going viral has proven to be the formula for success.

Executives need to address advocacy drivers in which the brand is weak until they match or even exceed competing brands. They should prioritize steps to transform the brand and invest in those with the highest potential. If value-for-money is the key driver and the brand is relatively weak on this point, the company should utilize asset optimization, sourcing and procurement, pricing, or possible approaches to improve value offered.

Once brand transformation has been achieved, a tailored go-to-market strategy will be required to reinforce key attributes for recommendation. The strategy needs to incorporate benchmarks of best practices in key advocacy dimensions emphasized by customers and noncustomers, and identify the ideal starting points (marketing, sales, or organization). If a brand is selling well across all ages but losing its shares among the younger generation, the best practice to adopt is to market the product to young people in the marketing campaign.

In an environment of severe competition, today’s technology, media, and telecommunications companies are facing the challenges of disruptive innovation and shorter product life-cycle, with constrained resources. To improve return on investment, smart companies are looking to add advocacy to their traditional marketing mix. These forward-looking organizations want to build long-term relationships with customers and monitor what drives customer advocacy in different product life-cycles. But many still labor with obsolete metrics and struggle to discern which actions produce results.

BAI offers brands a simple and precise way to measure this vital indicator of a brand’s success and pinpoint key drivers. With this information, companies can optimize resource allocation and drive top-line growth. For companies already ahead of the competition, our approach leads to sustained market leadership. For companies with room to improve, our approach prioritizes drivers and actions, and shows the right direction for winning the market.
Appendix: Methodology

The BCG BAI survey asks a series of simple questions that gauge whether a person is a customer or noncustomer of the company, determine whether he or she has recommended or criticized the brand in the past, and assess the reasons behind his or her sentiment toward the brand.

We apply a rigorous weighting system - which is based on the demonstrated influence of different types of advocacy - to the answers. Because critics tend to overwhelm the influence of fans, we subtract scores for negative advocacy from those positive advocacies to produce BAI. (See the exhibit below.)

Two distinctions in the way BAI measures advocacy are important. First, spontaneous advocates and critics matter more to a brand than those who advocate or criticize a brand only when prompted. People who speak up about a brand without prompting tend to tell more people and to be more influential than those who respond only when prompted. Likewise, spontaneous brand critics unhappy with their experience tend to talk about their experience with twice as many people as do customers who are satisfied. And their voices are, in many cases, more powerful than those of advocates.

Recommendations or criticisms are expressed by brand customers as well as noncustomers. Although customers’ advocacy is critical, in some industries and for some brands, noncustomers’ recommendations or criticisms can also be an important contributor to top-line growth. For example, luxury goods are discussed just as much by noncustomers as customers. Attention from noncustomers contributes to “aspirational” feelings of customers. Therefore, BAI is calculated at three levels: customers of the brand, customers of other brands in the category who also know the brand, and customers and noncustomers.

How BAI Measures Advocacy

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<th>BAI calculates recommendations among advocates and critics …</th>
<th>… and BAI can be measured at three levels</th>
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<tbody>
<tr>
<td>Spontaneous advocates (%)</td>
<td>Advocates</td>
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<tr>
<td>Nonspontaneous advocates (%)</td>
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<td>Neutrals (%)</td>
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<td>Nonspontaneous critics (%)</td>
<td>Critics</td>
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<tr>
<td>Spontaneous critics (%)</td>
<td>BAI category</td>
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Source: BCG analysis.
Note: Spontaneous advocates and critics offer feedback without prompting; nontspontaneous advocates and critics offer feedback only with prompting. Weighting is applied in the calculation of BAI.
for the entire brand category. To calculate the latter BAI category score, we add together BAI scores for customers and noncustomers. BAI can be adjusted to account for shorter or longer buying periods in a sector as well, to ensure that results are applicable to the same product version or model.

To understand what motivates advocacy for a brand, BAI measures high-level drivers of actual recommendation (drivers include technical performance, customer service, social responsibility, brand identification, design, value-for-money, and fit with interests) and uncovers the most relevant factors driving advocacy in a category, as well as how a brand performs on each of those factors.

Unlike other metrics, BAI looks at actual advocacy, not uncommitted intention. Instead of asking hypothetical questions, BAI asks about actual behavior, eliminating the influence of cultural differences, from which more consistent results across markets allow global benchmarks for industries.

Companies often lack understanding of what drives advocacy and why, and how they perform in each key driver. BCG’s approach to measuring advocacy offers insights that can be applied across countries and brands, and can help companies better deploy their resources. Companies can use these insights to assist in developing a brand strategy that proactively influences how they are perceived in the marketplace.

The list of counties and industries studied continues to grow. BCG has creates detailed BAI rankings for 14 countries: Belgium, Canada, China, France, Germany, India, Israel, the Netherlands, Portugal, Spain, Sweden, Switzerland, the UK, and the US. Furthermore, we have developed rankings for more than 20 industries and categories, including apparel, automobiles, beverages, consumer durables, cosmetics, credit cards, dairy, do-it-yourself, grocery, health care, insurance, mobile telecommunications, pharmaceuticals, restaurants, retail banking, smartphones, tablets, televisions, travel and tourism, and utilities.
Appendix: China TMT Survey Details

Our BAI survey of China’s TMT sector was conducted in the third quarter of 2013, and covered the country’s major TMT companies and their brands. Sorted alphabetically, they included:

- **Handsets**: Acer, Apple, ASUS, BBK, Blackberry, Coolpad, Gionee, HTC, Huawei, Lenovo, LG, MI, OPPO, Panasonic, Philips, Samsung, Sony, and ZTE

- **Smart TVs**: Hisense, Konka, Lenovo, LG, Panasonic, Philips, Samsung, Sharp, Skyworth, Sony, and TCL

- **Tablets**: Acer, Apple, ASUS, Dell, Google, Huawei, Lenovo, Microsoft, Philips, Samsung, and Sony

- **PCs**: Acer, Apple, ASUS, Dell, Lenovo, Panasonic, Philips, Samsung, Sony, Thinkpad, and Toshiba

- **Telecommunications**: China Mobile, China Telecom, and China Unicom (broken further into their sub-brands)

For each company, performance on advocacy drivers from both customers and noncustomers were measured and benchmarked against competitors. From this information, the strengths and weaknesses of the company, and key advocacy drivers of the category, could be clearly identified, to initiate further strategic action.

Furthermore, the functional and emotional factors behind the advocacy drivers were also identified by demographic, gender, location, etc., which revealed the in-depth motivations behind advocacy from all groups of customers and noncustomers. The data found can help decision makers apply their marketing efforts in the right direction.

For more detailed information, please contact François Candelon (candelon.francois@bcg.com) and Fang Ruan (ruan.fang@bcg.com).
About the Authors

François Candelon is a senior partner and managing director in the Shanghai office of The Boston Consulting Group. You may contact him at candelon.francois@bcg.com.

Fang Ruan is a principal in the Hong Kong office of The Boston Consulting Group. You may contact her at ruan.fang@bcg.com.

Sam Chen is a consultant in the Taipei office of The Boston Consulting Group. You may contact him at chen.sam@bcg.com.

David Feng is an associate in the Shanghai office of The Boston Consulting Group. You may contact him at feng.david@bcg.com

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