

Asian Financial Forum 2018

Business Transformation along Your Belt and Road Journey

Synopsis

As the Belt and Road Initiative develops, Hong Kong is in advantageous position to act as a “Super Connector” for unimpeded trade and regional infrastructural facilities. With well-designed infrastructure and creative services, enterprises will be able to create more effective customer support and take up greater opportunities in the Belt and Road areas.

In this seminar, the guests discussed megatrends in global business development and how companies can accelerate their growth in both the mainland and overseas markets through transformation and the effective use of infrastructure and ICT services.

Opening Remarks

- **Mr Larry Wong**
Head of China Commercial and CPE Business, Commercial Group, HKT

Speakers

- **Mr Gabriel Wong**
One Belt One Road Leader, PwC China Corporate Finance Leader
- **Mr Björn Gülsdorff**
Chief Business Development Officer, Creative Virtual Ltd
- **Mr Daryl Cheng**
Senior Vice President, Management Information Systems, MassMutual Asia Ltd.

Larry Wong pointed out that the Belt and Road covers 62 per cent of the world’s population and 31 per cent of it’s GNP, making it an enormous potential market. He focused on the Digital Belt and Road: i.e. transforming the Silk Road into an e-Road and mentioned successful examples, such as music.ly, Sherbank Messenger and ZTE. He explained that HKT covers 200 cities in China and helps multinationals enter the China market and Chinese enterprises expand outside China. He said the key factor in adapting to the e-Road is customer engagement across multiple channels.

Gabriel Wong discussed Belt and Road Initiative opportunities and said that infrastructure investment is the biggest and most urgent challenge, and that US\$500 billion is being invested annually in Belt and Road infrastructure. The Belt and Road telecom business alone should be worth US\$20 billion in the next five years. He said there is an expanding banking presence in Belt and Road countries, with Chinese banks now in 26 Belt and Road countries. The Bank of China alone issued US\$160 billion in credit lines in 2016-17. Spending on transport and logistics infrastructure reached UK\$20 billion in 2017 and Internet infrastructure is moving quickly as well.

The main stakeholders at present are the Chinese Central Government, Chinese corporations and Belt and Road countries.

Regarding Belt and Road connectivity, at present seven ASEAN countries are in the 10 countries most connected to China, but six of the 10 top risers are in Central and Eastern Europe. China-EU trade was UD\$4,473 billion in 2016, while China-ASEAN trade was US\$369 billion. Wong explained that the supply chain is one of the main driving forces behind growing trade connectivity.

China has made the Belt and Road Initiative a central part of its policies and actions since 2013. It is in the 13th Five-Year Plan and in the long-term construction plan, and in 2017 alone, 10 guiding principles were issued covering various actions, measures and policies. Foreigners are now allowed to apply for a 10-year visa for the first time.

The Belt and Road Initiative is encouraging Chinese corporations to transform themselves. CCC, for example, has converted itself from a wholly engineering, procurement and construction (EPC) company to an infrastructure solutions provider, diversifying and expanding vertically to become an EPC company and financial conglomerate. Alibaba is building on globalization, buying and selling worldwide and providing e-payment, logistics and delivery services. DHL, a logistics company, went from limited connectivity in 2012 before the Belt and Road Initiative to a massive train freight network with strategic partnerships in many Belt and Road countries.

Many Belt and Road countries are moving forward with capital market reforms, infrastructure development, market reforms, land reforms, tax, insurance, pension and educational reforms, and changes in PPP frameworks. Their goal is to be as competitive as possible.

Wong discussed considerations for Belt and Road transformation. First, at the strategy level, companies have to decide what their priorities are and map the competitive landscape. Second, at the operational level, they have to standardize services and align their operational models, IT systems and reporting routines. Third, at the human capital level, they have to consider staff mobility. He maintained that initial success is important to convince your own people to relocate to execute a project.

He pointed out that innovation drives transformation, changing the way people live: e.g. Wechat, HST Tech, Alipay, Mobike, and concluded that Hong Kong's advantages in the Belt and Road Initiative are its position as a world-class centre of finance and its pool of professional talent.

Mr Björn Gülsdorff spoke about the transformation of multinational customer engagement, noting that customers have high expectations and expect information all the time, everywhere, in their own language and in all time zones, and personalized as much as possible. In addition, companies have to consider and

adhere to the different data privacy systems in each country or region. His company's research also found that 69 per cent of people prefer a chatbot to a human being, because they want instant answers, and that young people prefer texting to speaking, which means call centres will become less important.

Many new services aren't easily provided by AI, but when humans and machines work together, quality assurance benefits. A virtual agent can supply the content and the human agent can use it to give answers or solutions to the customer.

Daryl Cheng pointed out that more and more customers are digital natives who expect simple, personalized products and services and prefer not to use the telephone or email. He said that digitization can improve management decisions and speed up the development of new products and services. The rapid development of tech has had a big impact on traditional business models, at all levels of an organisation, every task, activity and process, and it's not cheap, so we need to move carefully and ensure the productivity gains are significant.

He suggested that the best way to convince management to spend money is to focus on improving the customer experience. This strategy involves analytics, compiling social information using big data and social channels to understand the lifestyle of different groups, streamlining customer processing, self-service and mobility.

Improving operational processes means allowing people to do their job anytime anywhere to boost performance. This provides broader and faster communications, knowledge-sharing, and data-driven decision-making.

There are five factors to consider before engaging in digital transformation: one is compliance. For example, while the customer may want an e-copy, the regulator may ask you to provide a paper and e-copy, and sometimes one regulator may tell you to do one thing while another regulator tells you to do another. Second, you must have vision and support from the top down. Third is resources – money is a must. Fourth, you have to choose the right tech, infrastructure and, most importantly, the right people. Many people do not want to change. Finally, without cybersecurity, you cannot go online.

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