

# News Release

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## **Why China's "Silicon Delta" will lead the digital revolution Montgomery Ho, Chief Executive, Guangdong, HSBC explains this**

The next game-changing idea in global technology will likely come from China's Silicon Delta, a cluster of cities in Guangdong province where many of the country's most innovative companies are based.

It's really just a matter of time. The combination of entrepreneurialism, creativity, market structure, communications infrastructure and sheer scale found in mainland China's technology sector should soon make the country's leadership a reality.

The clues are easy to spot, especially in the Pearl River Delta. Home to some of the world's largest high-tech companies, Shenzhen and the entire Pearl River Delta region has now evolved into a world-leading digital and advanced manufacturing ecosystem.

The catalyst for the Silicon Delta's remarkable growth is the rapid uptake of technology in China. According to HSBC's recent Trust in Technology survey, 100% of respondents in mainland China own a smartphone, 82% of them have used finance programmes over social media and 43% own a smart speaker device. It's not surprising that, in April, Shenzhen-based internet firm Tencent became the world's tenth largest listed company, followed by e-commerce giant Alibaba in eleventh place.

In the western world, smartphone users have different apps - Whatsapp, Amazon, Facebook, Uber and AirBnb – to cater different needs. In China, Baidu, Alibaba and Tencent – colloquially referred to as BAT – have built universal experiences on a single platform. There's no jumping from one app to another – almost everything you need is built in.

When Tencent's WeChat launched six years ago, it was a mere chat app. Now, WeChat offers social media, payments, dating, news and messaging, among other options, to more than 900 million active users. Think Snapchat, Whatsapp, Skype, Instagram, Paypal, Facebook Live, Yelp, Tinder and Apple Pay all rolled into one. By contrast, WeChat's western counterparts give their users relatively limited experiences on a single platform.

But don't make the mistake of assuming that WeChat has produced a convenient collection of services that are mere facsimiles of those offered by its rivals. Far from it. From their humble beginnings a mere ten years ago, China's internet companies have become leaders in creative thinking in the global technology sector. Using three basic apps, you can get almost anything, do almost anything and meet almost anyone. WeChat can even give you a real-time heatmap showing how crowded a shopping mall is before you go there.

China's increasingly urbanised young people continue to be highly receptive to digital technology and innovation. According to our survey, 90% of the respondents in China believe technology makes their life easier and 89% agree that advances in technology will make the world a better place.

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Indeed, Chinese consumers are excited by the potential that new technologies represent. The survey shows that 79% prefer to do most things using new technology when they can – in fact people in China (40%) are the most enthusiastic adopters of fingerprint technology with India (31%) second. At the other end of the scale, just 9% of people in France and Germany and 14% Canadians have used fingerprint technology to identify themselves.

The 'BAT' and other Chinese technology companies are investing heavily in innovation. They are at the forefront of research into artificial intelligence, a technology predicted to someday have as much impact on our lives as the invention of electricity by powering products from medical devices to self-driving cars and to payment services.

China has also created the physical infrastructure needed to transmit the mass of data generated by its internet giants, which far outstrips those of some developed economies. Villages in the most rural provinces enjoy 4G connectivity and faster internet speeds than many European capitals. This has greatly enhanced the experience of online shoppers, whose purchases are brought to their doorsteps by efficient delivery companies along a modern network of highways.

Perhaps most importantly, the sheer size of China, with its 1.38 billion consumers, means that internet and technology companies can scale up rapidly. For promising start-ups, capturing a fraction of users in this vast marketplace attracts venture capital funds on the basis of their potential alone.

This is exactly what is happening in the Pearl River Delta. Inspired by Silicon Valley, Shenzhen has become a nexus of venture capitalists, accelerators and tech giant alumni, ready to build the next successful startup.

All these factors have created a "perfect storm" of innovation that is upending commonly held perceptions. As Chinese internet companies expand globally, whether through acquisitions (such as Chinese travel giant Ctrip buying Skyscanner) or organically (Alibaba's Alipay building a global network of merchants), it appears that the next generation of global internet behemoths will be Made in China.

So, if Silicon Valley executives ever find themselves short on ideas, they can always pay a visit to China's Silicon Delta – and I am sure many more will in the years ahead.

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