

In 2014, the Case Center developed six case series together with CKGSB professors, namely Financial Innovation, Internet Innovation, Exploring Chinese NGOs, Human Resource Management, Economics, and Brand Innovation. In the context of China's economic transformation and change, Chinese companies are relying on the internet and disruptive innovation to develop new business models. Where major societal issues need addressing, how can third parties such as NGO organizations step in to provide effective solutions? The following case studies highlight challenges and decision-making processes in a wide range of industries and disciplines for thought-provoking class discussions and better business decisions. These abstracts are provided as reference to CKGSB professors and staff:

## Financial Innovation

### Are Mortgage-backed Securities (MBS) Angels or Devils?

*Case researcher Yang Yan, advised by Professors Ouyang Hui and Erica Li*

When the financial crisis swept the world in 2008, the securities industry's regular diet of mortgage-backed securities (MBS) abruptly became everybody's target – blamed for being a powerful tool in the financial industry, and for risking heavy damage to the system. The giants in the business, Lehman Brothers, Bear Stearns, Merrill Lynch, AIG, either went bankrupt or were acquired or were "nationalized." For MBS, as the first asset-backed securitization financial product on the market, the assessment has been mixed, as MBS did indeed bring the market with unprecedented liquidity and vitality. How was the MBS born and what were its original merits? How did the MBS-related crisis sweep the world like a plague? What roles did government agencies, the private sector and the US have in the history of the MBS? At a time when China's financial reform is shaping up, what lessons can China draw from the history of the MBS?

### Aliloan: The Small Business' Credit Card

*Case researcher Yang Guchuan, advised by Professor Chen Long*

What advantages does Alibaba have over traditional offline credit lenders?

Financing difficulties for SMEs are particularly prominent in China. However, under the influence of internet technology, this problem is being taken up as a new business idea by a number of internet companies. Alibaba began as an e-commerce company, but in 2010 and 2011, established two small loans firms. Aimed at SMEs and individual sellers within Alibaba's supply chain, loans were offered without collateral to firms in need of credit. Step by step, how did Alibaba develop a small loans model as an online service? What advantages has Aliloans had over traditional credit lenders? What challenges does Aliloans face going forward?

### Yixin vs. Renrendai – A Comparative Study of the P2P Model in China

*Case researcher Cui Huanping, advised by Professor Chen Long*

Because of shortcomings in the Chinese financial system, originating in the West, online transactions using the P2P model took off in China. This case compares Yixin and Renrendai to highlight contrasting and differentiated ways of going about P2P transactions. It discusses the current situation and the development hurdles that P2P focused companies face in China.

### Alibaba's Yu'eobao from an US Perspective

*Case researcher Yang Guchuan, advised by Professor Ouyang Hui*

Yu'eobao appeared out of the blue in 2013, arriving in the wake of Alipay's major shake-up of China's money market financial instruments. However, by the end of May 2014, Yu'eobao had more than 100 million users and was worth more than 570 billion RMB. Is there now a bottleneck that will curtail its growth and what does its future hold in store? What impact will Yu'eobao have on commercial banking and the rest of the financial industry? An in-depth comparison with US payment innovation Paypal helps us understand the developmental context of Yu'eobao and future trajectories.

## Internet Innovation

### Xiaomi – Sales in a State of Dominance (Chinese and English versions)

*Case researcher Yang Guchuan, advised by Professor Teng Bingsheng*

In the three years since its founding in April 2010, mobile phone maker Xiaomi has reached 31 billion RMB in sales, and in August 2013, it gained a valuation of 10 billion USD. This kind of growth is out of reach for the majority of companies. As one of the Chinese IT industry's first entrepreneurs, Lei Jun spent eight years struggling to make it in the industry, succeeding in bringing a company to market only on the fifth attempt. Now, as one of the country's most successful investors, Lei Jun has brought out the Xiaomi phone. What innovations have helped bring Xiaomi its success? Xiaomi's "Internet mindset" has been integral to its success, and is seen as an example of best practice in the mobile phone industry. But when sales settle down, how can Xiaomi optimize its supply chain to drive competitiveness? This case looks in detail at the Xiaomi method to find out how the company makes its Internet mindset central to its strategy.

### Tencent's Open Platform

*Case researchers Yang Yan and Zhou Yi, advised by Professor Zhu Rui*

From the tech industry's chief enemy to an open platform approach,

the massive Tencent has made a complete volte face in terms of its capabilities and financial acumen. Tencent gives across a very different impression from three years ago. Initially using a closed system, Tencent has switched to an open platform. How does it work and how will the firm establish an ecology to sustain the platform? What ideas does Tencent have about shifting to a mobile platform and what are the risks of moving from PC to mobile technology?

### The 3Q Battle – A Game Theory Analysis

*Case researcher Yang Yan, advised by Professor Zhou Chunsheng*

QQ and Qihoo 360: the former a key player in social media, the latter dedicated to internet security. Both experts in their respective market, how were the interests of internet users sacrificed to a war that risked knocking down the entire Chinese internet industry in a cloud of dust? This case explains the underlying causes of the conflict with game theory and explores problems in the competitive business environment of the internet industry.

### The Lay of the Land - Chinese and American Internet Industries Compared

*Case researcher Yang Yan, advised by Professor Chen Long*

In 2013, mergers and acquisitions took a strong role in the domestic market, and this was especially dazzling in the internet industry. Baidu, Alibaba and Tencent (BAT) are the brightest stars in their respective sectors, but as time has progressed, the boundaries between them have blurred and their impact on the overall pattern of the industry has grown. Via business development, mergers and acquisitions and investment, the cases of these three companies can be compared to explain current business structures and their corresponding historical logic. At the same time, with similar structures to America's biggest three internet firms - Google, Amazon and Facebook – we can identify the root causes of Sino-US differences.

### Qunar – A Financial Perspective on Analysing Internet Platform Businesses

*Case researcher Yang Guchuan, advised by Professor Zhang Weining*

Traditional financial analysis has limited applicability for online companies. How then to assess the financial health and acumen of the spate of late 20th century internet platform companies in China? This case will consider new ways to analyze the finances of online companies, taking Qunar, a travel service provider, as an example.

### Auto Repair O2O: The Case of Y1S

*Case researcher Yang Guchuan, advised by Professor Zhang Weining*

Focusing on the auto repair metal spraying business, Y1S is committed to using e-commerce, mobile internet, and SNS internet technology to transform the traditional auto repair business into an online-to-offline sector. Moreover, unlike other O2O companies, Y1S is first offline, then online. The first focus is service standardization, then information technology using the platform and finally client needs are implemented online. For Y1S, the online team acts as the brains and the offline team, the workshop. This enables the company to focus on quality and also replicate store efficiency when scaling up. Y1S is an example of best practice of the O2O business model.

### Haier – Using Big Data for Precision Marketing (in progress)

*Case researcher Yang Yan, advised by Professor Ou Jihong*

Haier has always been a resolute innovator in the electric appliance sector. In the internet age, Haier has accelerated its pace of change, developing an all-new internet strategy. Using its vast database of customer information, it is developing a precision marketing strategy that fully capitalizes on the value of this data. By doing so, Haier avoids the limitations of traditional marketing and upturns convention. How does Haier use its data and what are the results so far? This case is mainly based on publicly sourced reports.

### Jumei International's Service Platform – The Financial Perspective (in progress)

*Case researcher Yang Guchuan, advised by Professor Zhang Weining*

Jumei International listed on NASDAQ in May 2014 with an opening price of USD 27.25. In only seven months, the share price had dropped to less than USD 15. One big reason was Jumei's plan to drop third party products from its beauty product platform, triggering a number of class action lawsuits. This case considers the effect of the cancellation of third party business in the light of other financial indicators. It also compares Jumei with other third party platforms, Vip.com and Jingdong.com.

## Exploring China's NGOs

### United Way Worldwide's China Strategy (English)

*Case researcher Heather Mowbray, advised by Professor Zhu Rui*

As one of the largest and most respected international NGOs, how did United Way Worldwide enter China and develop programs with local partners? How can NGOs learn from best practice to navigate their way towards greater professionalism and efficiency, thus increasing recognition and trust among donors? This case considers the issue of migrant education and how NGOs work towards improving opportunity for all.

### DMD Fund versus China Dolls Center for Rare Disorders

*Case researcher Cui Huanping, advised by Professor Zhu Rui*

The recent Ice Bucket Challenge has drawn attention to the plight of sufferers of rare diseases in the West and the NGOs that seek to mitigate their symptoms and search for cures. As early as 2011, the China-Dolls Center for Rare Disorders, founded by individuals with Osteogenesis Imperfecta (OI), registered under the Beijing Civil Affairs Bureau as a non-profit organization. The Duchenne muscular dystrophy (DMD) Fund started in a similar way, and both have spent four years establishing themselves by registering, operating, fundraising and building effective teams. These two grassroots NGOs can help others in their charity endeavors by shedding light on the challenges and solutions faced by such organizations.

### Adream Charitable Foundation: Using Business Thinking for Public Good (in progress)

*Case researcher Cui Huanping, advised by Professor Zhu Rui*

Adream Charitable Foundation has taken quality public service education by storm: choosing to prioritize professionalism, quality and depth in a sector not known for these attributes. The foundation has declared its earnings openly in the manner of a listed company, and has strengthened transparency in its branding efforts. It has set up standardized processes and developed knowledge chains, reduced costs and improved operational efficiency. It has taken the client's perspective and turned it into community thinking, and moved from independent public service provision to an ecosystem that relies on volunteers and donors. Where does Cherished Dream Foundation get its innovative spirit?

## Human Resource Management

### CITIC Credit Card Customer Services: Internet Thinking in HRM

*Case Researcher Cui Huanping, advised by Professor Wang Yijiang*

Since 2008, the rise of the credit card industry has begun to show problems. CITIC credit card service center has faced two major bottlenecks: high staff attrition rates and heavy operating pressures. To ease these pressures, the CITIC service center has sought innovative solutions: employing data analysis, an internet mindset and fine-tuning its use of marketing technology, to turn from being a cost-center to a profit-center. There is an early warning system to catch people before they quit and provide intervention to look after staff needs thereby lengthening the average employee service life. This case considers the hiring process and analyses the ratio of interviews to recruitment as well as turnover rates. A best practice interview and recruitment process is described in a bid to provide CITIC with a way to curb staff turnover in its credit card service department.

### Lenovo's Acquisition of IBM PCs – Part Two: How the “Chinese Snake” Digested the “American Elephant” (Chinese and English versions)

*Case researchers Yang Guchuan and Zhou Yi, advised by Professor Xiang Bing*

In 2005, Lenovo bought the PC business of US technology giant IBM. It began its integration efforts in the midst of disputes over leadership. The new group was originally headed up by a foreign CEO until senior Chinese managers returned following the financial crisis and regained core management positions. This change of leadership has been behind the PC maker's ability to shake off its loss-making position. Why did Lenovo undergo these strategic twists and turns? How does Lenovo summarize the path taken and the lessons learnt? What can other Chinese firms undergoing their own M&A integration phases learn from Lenovo's experience?

### Employee Stock Ownership Plan (ESOP) – Huawei's Double Edged Sword (Chinese and English versions)

*Case researcher Yang Yan, advised by Professor Xiang Bing*

The Employee Stock Ownership Plan (ESOP) has had a very positive influence on the history of Huawei, but has also been subject to public suspicion at every turn. Employee benefits have been accrued alongside Huawei's impressive development and have generated huge amounts of human capital. However, with ESOP's continual expansion, the diminishing space for such a scheme, and the changing market environment, the risks and drawbacks of ESOP have been slowly exposed. How exactly do these drawbacks threaten a drop in performance? Will ESOP act as CEO Ren's fetters despite its contribution to the Huawei success story? What should Huawei do next? List on the stock market?

## Economics

### The Payment “Pals” and China's Financial Revolution (Chinese and English versions)

*Case researcher Gu Chongqing, advised by Professor Li Wei*

Payment “Pals” have exerted significant pressure on the Chinese finance sector since Yu'eobao's rapid emergence in 2013. Internet finance has not only improved financial returns for small investors, but has had a much bigger effect on financial management nationwide, by breaking down the high walls of Chinese financial repression. The government has profited from collecting long term inflation tax for its own financing use. The Payment “Pals” by providing a safe channel to access financial assets via the interbank market, have offered investors high interest, which has broken the pattern of government financial repression.

### China's Money Supply Channels

*Case researcher Gu Chongqing, advised by Professor Li Wei*

30 years of reform and opening have seen several shifts in China's money supply channels, from open refinancing, to foreign exchange, and now to the newly created PSL, SLO and other monetary policy tools. This case explores the development of money supply channels in China's economy, focusing on how they have made an impact on the financial system.

### Comparison between China and the US Treasury Bonds (in progress)

*Case researcher Gu Chongqing, advised by Professor Li Wei*

US treasury bonds are one of the most important financial products in the US financial sector and indeed that of the world. It is the basis used to price other financial products, playing a crucial role in the functioning of global financial markets. The US treasury bond market has very active participants and a high trading volume, and is a favorite investment target. How has it reached this status? In contrast, the Chinese treasury bond market is small, not active, and has never played a significant role in financial markets. Why has the Chinese bond market reached such a low point? This case explores the similarities and differences between the two countries by comparing the two bond market systems, so as to encourage the reader to consider these issues.

## Brand Innovation

### Shang Xia Brand (Chinese and English versions)

*Case researchers Cui Huanping and Zhou Yi, advised by Professor Zhu Rui*

In 2008, Hermes founded the Chinese high end lifestyle brand Shang Xia, which is the first of its kind for Hermes and its peers, and the first time a global luxury brand has committed to Chinese traditional crafts and incorporating them into the contemporary lifestyle through business practice innovation. Five years on however, Shang Xia is still making a loss. How can the company develop a unified style with its diverse product portfolio, and should it expand its customer base? Where should Shangxia go from here?

### The Shang Xia Route – Hermes' New Attempt to Expand the Chinese Market

*Case researchers Cui Huanping, advised by Professor Zhu Rui*

In 2008, Hermes founded the Chinese high end lifestyle brand Shang Xia, which is the first of its kind for Hermes and its peers, and the first time a global luxury brand has committed to producing a Chinese high end brand catering for the Chinese market. Shangxia is an example for other global luxury brands, and the challenges that confronted the brand in terms of positioning, communication strategy, and expanding production will inform others about feasibility and innovation, as well as bring inspiration to the Chinese market.

### Handu: An E-commerce Evolution (in progress)

*Case researchers He Shan and Zhou Yi, advised by Professor Zheng Yusheng*

Handu, a fashion retail company, has topped the sales category for women's clothes from 2011 onwards with its brand HSTYLE. How has the clothing company that originated online created a “single brand total operating system” and developed into a multi-brand platform even taking into its scope fashion design itself.

### The CKGSB Business Confidence Index (Chinese and English)

*Case researchers Gu Chongqing, Yang Yan, Yang Guchuan, Heather Mowbray, advised by Professor Li Wei*

In 2014, the CKGSB BCI entered its third year and 12 reports were released. This year's data show a significant decline in business confidence, with the main index starting 2014 at 61.9 and finishing it at 50.5. Although there was a rebound in the middle of the year, the overall downward trend was very clear. To compare with previous years, the 2014 BCI average was 54.5, significantly lower than the 2013 average of 61.9. The market currently suggests that in 2015, China's GDP growth will continue to fall. On the other hand, all parties see room for growth in an expanded economic arena, something that ongoing reform and drives for efficiency will help to promote.