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Analysis of the Global Mindset on Chinese Brands

Implications and Analysis of the Global and Western Mindsets on the Positioning of Chinese Premium Brands in the International Marketplace

Lukas Larsson

China has long been a global manufacturing powerhouse. Having endured a rapid industrialization process that included the boom in manufacturing consisting largely of low-end products, China has undergone substantial changes and is now home to a large number of high-end, premium brands and products. These products struggle to obtain the level of premium positioning in foreign markets that they possess within mainland China where they compete with global luxury brands. Unlike corporations such as Apple in China, the Chinese counterparts including Lenovo and Huawei often struggle globally. This paper examines the reasons and fallacies behind these issues through a variety of lenses, including consumer mindset, legal framework, national security, and governmental policy. In addition to the aforementioned corporations, the paper touches on the actions and positioning of state-owned and privately held Chinese corporations, including foreign joint ventures such as those with BMW and the Chinese National Offshore Oil Corporation. The aging demographic and changing policies in China and the influence this exerts on the future developments and positioning of these Chinese corporations on the international stage is also touched on. Summarily, this paper closely analyzes these factors in assessing the barriers that face luxury or high-end Chinese brands and products in an ever more globalized world.

INTRODUCTION

China has long been a global manufacturing powerhouse. Largely responsible for the incredible economic developments and growth within the country in the last 30 years, this economic strength has become one of China's premiere weaknesses as the country aims to transition its' economy away from a predominantly manufacturing based one towards one that encompasses a broader, more diversified range of services and products, especially those at the higher or luxury end of their segments. Home to countless high quality and luxury brands that have found success within their own borders, Chinese luxury brands struggle to shrug off the "made in China" stigmatism and with it, the belief that the products produced there are of poor quality. This has led to Chinese top-end brands struggling to establish and position themselves as premium products in Western markets. In stark contrast, premium Western brands have far less trouble entering China as luxury brands, especially as Chinese consumers are increasingly drawn towards Western products. To help paint this picture we will break down and analyze the successes, failures, techniques and methods employed by Chinese firms Lenovo and Huawei, as well as North American firms Apple and IBM. We will also touch on the societal and governmental opinions of Chinese expansionism relating to made in China products by analyzing the Chinese National Offshore Oil Corporation's actions, and the Chinese Government's policy towards corporations such as BMW entering China's domestic market.

In addition to the struggle of brand positioning, we will work to successfully illustrate the suspicion that America and others in the West often holds towards China and Chinese companies. The report will touch on the actions of the Congress of the United States of America with regards to blocking Huawei's entry into the telecom industry, the Chinese National Offshore Oil Corporation's (CNOOC) proposed acquisition of Unocal, and their bid for Nexen Inc. of Canada and the subsequent renegotiation that followed culminating in the acquisition of Nexen thereby satisfying the Chinese National Offshore Oil Corporation's desire for a high-end Western oil and gas corporation with strong upstream assets and global interests that are beneficial to enhancing CNOOC's financial statements. The report will touch on both the Chinese and American worldviews that are so deeply ingrained that changing them will take time and effort. The report will also explore and note some of the double standards China has created for itself in the global marketplace and how these standards negatively affect Chinese corporations looking to expand globally as premier high-end or luxury brands.

Lenovo provides an interesting base to begin our analysis of the situation as present in the increasingly globalized world that commerce operates in today. As a premier Chinese brand that has done better than most in positioning as a premium brand on the international stage, it still faces countless hurdles that are not typical of corporations with origins other than those faced by the Chinese. Lenovo has successfully created a high-end brand of computing hardware and software and has been engaged in high-profile takeovers including that of IBM's high-end laptop brand, ThinkPad. This deal was in conjunction with a smaller data server division. Events such as these have caused issues within America regarding the trust of Chinese corporations, the source of their financing and funding, and the varying governance and ownership structures within each one.

Similarly, Huawei is a prominent Chinese brand with massive global market share that is incredibly successful the world with one notable exception - The United States. Blocked from building telecom network systems by an Act of Congress (Rogers, 2012), Huawei has been unable to establish itself globally as a premium brand and even with the success it has attained thus far, it is often seen in a position behind that of global leaders Samsung and Apple. This view only exists outside of Huawei's home market of China. One of the major hurdles that currently faces Huawei when attempting to gain access to the American market is their corporate structure. With a more decentralized and atypical corporate structure from the American norm, this makes it difficult to pinpoint where ownership lies. Governed as more of a cooperative with employees owning almost 99% of the corporation via an "employee stock purchase plan" (Sevastopulo, 2014), Huawei's structure is foreign to many Americans which in turn increases apprehension and suspicion towards the corporation.

LENOVO AND IBM

Lenovo is a world-renowned brand that operates in the computing and technology industry. As a brand of Chinese origin, it has spent the better part of its multinational life breaking into the North American market. It has done so with more success than Huawei, especially with regards to the coveted American market, but the approach taken by Lenovo has been one that has been drastically different. Governed via a more typical corporate structure, it has drawn less concern from the Western authorities. Positioned in the West as more of a mid-level product, Lenovo has managed to achieve this positioning with the aid of a variety of factors. To better increase penetration in this market, Lenovo has taken the strategic step to acquire from IBM their personal computer division, notably the ThinkPad brand (Zhou, 2012). IBM is at the forefront of computing in North America and this acquisition is one that should foster growth and progress for Lenovo in the American market. This strategic move will allow Lenovo to springboard off of the name and goodwill that IBM already possesses in the American market, further establishing a strong brand presence and awareness as a company with global aspirations and presence rather than as a Chinese corporation simply operating in America. The acquisition has been lauded as a success for Lenovo by both pundits and the founder of Lenovo, Liu Chuanzhi who stated that "We benefited in three ways... We got the ThinkPad brand, IBM's more advanced PC manufacturing technology and the company's international resources, such as its global sales channels and operation teams. These three elements have shored up our sales revenue in the past several years" (Zhou, 2012). By working with and acquiring a US corporation in the normal course of business in full compliance and agreement with officials to ensure the deal was acceptable on both sides, Lenovo managed to further entrench their brand in the American market. As one of the global computing and technology players, Lenovo has found themselves as a staple in the consumer mindset. Positioned in America as a mid-level brand, Lenovo strives to meet their Chinese status as a premium brand and in recent years has taken steps towards this change. These actions have allowed Lenovo to further wriggle free of the negative connotations associated with the "made in China" label. When combined with the American public's relative trust of Lenovo compared to Huawei which is often attributed to a clearer governance structure, Lenovo is better poised to capitalize on this positioning in the market as the corporation grows and evolves in future years.

A component playing into this success often cited by industry analysts is surprisingly simple: the name, "Lenovo" is easily pronounced by English speakers whereas "Huawei" is foreign in all aspects (Thomson, 2013). Management of Huawei ultimately opted to retain the name as they believed it already had strong brand

recognition in the telecom equipment sector, and did not feel that altering or using an alternate consumer-centric name was necessary, even with the implications the name carried. The name has long been associated with the Chinese government which has caused concern in both Britain and America. The board of directors has not completely ruled out using a different name in the future for certain product lines (Thomson, 2013). This causes a direct impact on word-of-mouth advertising, and acts detrimentally towards global expansion plans outside of niche Chinese expatriate groups around the World. Corporations with names that have a strong Chinese or Asian connotation may find themselves at a distinct disadvantage in the North American market due to a deep subconscious distrusting mindset that may prevail.

MADE IN CHINA STIGMATISM

The “Made in China” label is both the greatest Chinese asset, yet simultaneously the most painful thorn in the nation's side. *This association coupled with common beliefs around state-support of China-based multinationals and the implications this has on the entrepreneurial and consumer-centric mindset of the West, Chinese Nationalism, and Sino-Western relationships, we have ample data to support the struggles of Chinese premium brands, whether just or not.* This is clearly demonstrated in “Brand and country-of-origin effect on consumers decisions to purchase luxury products” in Table 1, where the USA is shown to place a substantially larger importance on Country of Origin (CoO) and Country of Manufacture (CoM) than for instance, India (Godey et al., 2011; Table 1). Although the level is relatively low compared to other categories, it is still triple that of most developing nations. This belief that made in China is inherently bad is a very ethnocentric, biased assumption that hurts the performance and growth of premium Chinese multinationals in a global world economy. The most prevalent logical fallacy with this argument is actually quite simple and can be clearly illustrated using Apple as an example: Americans put a premium on Apple products, but when products that use the same components are manufactured in the same factory but are branded with a Chinese brand, i.e.: Huawei, these products are deemed to be of lower quality without any basis or proof of that assumption. Huawei actually produces a premium line of cellphones, the P8 and P9, which are regarded by some as ahead of Apple in terms of development and technology, especially in areas concerning components found in the iPhone 7 such as dual lenses in the camera, have actually been found in the P8 and P9 for some time (Apple, 2016; Huawei, 2016).

To counter this argument, it is important to mention that Apple’s ability to fetch higher prices stems from customer loyalty, build up goodwill, and services that are provided as an accessory to the product. Even if this is deemed true, both corporations offer warranties and both are oft regarded as having fantastic customer service and support. In particular, Huawei has adopted a “customer first” mentality (De Cremer and Tao, 2015). Apple has had their customer service receive many awards, including the 2014 JD Power award for customer service (Heisler, 2015). A very large differentiator in price may be derived from those outside of China unwilling to try or experiment with products that the individual has mentally categorized as lower quality. Both Americans and the Chinese have very nationalistic tendencies; to purchase and support a brand such as Huawei in the United States may also carry some degree of social stigmatism that may have adverse effects on the mindset of a consumer looking to upgrade their phone or move away from Apple. This would indirectly push the consumer to one of the few other major options in the American market such as Samsung.

HUAWEI AND APPLE

Huawei has spent considerable time and money expanding internationally, and did so rapidly with many successes in the majority of the markets they entered along the way. After the first international move partnering with a Hong Kong firm, Huawei quickly expanded into Asia, Africa, parts of Europe, and South America. In 2001, Huawei expanded into America, but, due to challenges of adapting to the American market, three years passed before Huawei managed to generate a sale in the country (Micheli & Carrillo, 2016). Huawei uses an atypical ownership and management structure that has it operating as a co-op wherein some 70% of the employees have a stake in the corporation, holding almost 99% of the total shares while the founder has only a small personal holding (Sevastopulo, 2014). This is one aspect leading to the American distrust of the corporation as it is a very Chinese method of ownership that pairs nicely with the collectivist culture of China. Huawei at present does not

consider America to be one of its stated top seven markets of importance, but has placed substantial investment into Mexico in order to foster expansion in the Americas (Micheli & Carrillo, 2016). Huawei is well positioned to expand into America when the time comes, but is under no certain pressure to do so as it continues to expand globally into other regions in Asia and Latin America at unprecedented rates.

The success of the expansion globally by Huawei so far is hotly debated. Those preaching success often point to Huawei's ranking as the third most popular global smartphone retailer with a market share of at last report, 9.3% in Quarter 2 of 2016 (IDC, 2016). Within China this stat is even stronger at 17.4% (Kang, 2016). These statistics, impressive as they are, show their weakness when compared to American brands expanding in the opposite directions of Huawei. For instance, within their home markets, Apple has a 43.6% market share compared to Huawei's 17.3% share (comScore, 2016; Ramli, 2016), a 26.3% difference. In China, Apple commands a formidable 10.8% market share compared to Huawei's virtually non-existent market share in America (Ramli, 2016), and globally, Apple is noticeably stronger than Huawei with a 11.7% share – though both pale in comparison to Samsung's impressive 22.8% (IDC, 2016). As a corporation, Huawei is undeniably successful and innovative. They have found success in virtually every market they have entered, but are still working to position themselves as a higher-end retailer in the technology consumer goods segment as they move away from their lower-end past.

The primary reason for Huawei's lack of American market share is the United States Government's distrust of Huawei and belief that they leave the country vulnerable to Chinese government spying should they allow the corporation to operate. As it currently stands, virtually all Huawei handsets purchased in the United States must be purchased online and shipped into the country. The typical Huawei business model includes retail stores and telecom infrastructure, something that they have been unable to implement in America. The United States, as a country where the majority of consumers purchase their phones through their service providers, is not as friendly to the online purchase and delivery business model as in China where this practice is commonplace. As Huawei has been banned by Congress from implementing any physical telecom infrastructure in the United States (Rogers, 2012), a movement away from this business structure is difficult and in the near future highly unlikely.

The immense distrust present, specifically in America, towards Huawei is portrayed excellently by De Cremer in "Huawei to the future": Cremer and Zhang effectively articulate some of the reasoning behind Huawei's struggle to enter the US market. When delving into the factors contributing to the suspicion behind Huawei they state that "the US has pushed Huawei to the periphery of its telecom market... fear of espionage and suspicion [of]... cheap loans from Chinese banks", as being a major contributing factor to America's unacceptance of the multinational (De Cremer, 2014, pp. 27).

Huawei is a corporation that invests in the United States, yet struggles to establish their premium brand positioning. With a large spend on research and development that often surpasses rival Apple, Huawei is strategically positioned yet struggles in the premium phone market in the United States. Huawei has established research and development centres around the world, including in the Silicon Valley (Guanqi, 2009, pg.1098), yet the perception of a low-quality Chinese brand persists, even after substantial American investments. Not only is low-quality a hurdle for Huawei, but they need to find a method to effectively build trust and transparency with both the American consumer, and more importantly, the American government to allow them to effectively break into the market. Partnering with a major American telecom provider rather than establishing their own telecom network and infrastructure could be a viable initial move into the market. However, the cheap financing Huawei has received from the Chinese government raises suspicion in some circles. If the Chinese government is so deeply intertwined with Huawei as some believe, putting American telecom infrastructure in Chinese hands would be an unfavourable political decision possibly akin to political suicide. These cheap loans are often interpreted by American businesses, public, and politicians as an unfair advantage that goes against the deeply held American belief of equal opportunity for all. Huawei has invested heavily in their Mexican research and development facility which allows them easier access to Central and South America, and could be a strong indicator of positioning to one day enter the American market.

CNOOC: BIDS FOR UNOCAL AND NEXEN, INC.

To further analyze this phenomenon in a Chinese-expansionist mindset as viewed by the West, an example can be found within the planned Chinese National Offshore Oil Corporation's (CNOOC) proposed Unocal deal that was eventually passed up and blocked in the United States, and the eventual closing of CNOOC's bid for Nexen, Inc. in Canada. The strategies taken by CNOOC in both of these situations were very different and resulted in substantially different outcomes. Another area that may be of interest is the moral philosophies of the West with regards to "supporting China" and the desire of young Chinese people to emulate the Western societies that they are so often enamored with.

To analyze the distrust created towards China by foreign entities when they believe the Chinese government to be 'aiding' private enterprises or interfering heavily in state-owned enterprises expanding internationally, we turn to markets often deemed important to international success, prosperity, or national sovereignty. To best support this argument and analysis, no case is better than the oil and energy industry and the failed CNOOC-Unocal deal and the successful CNOOC-Nexen deal. The differing actions of Congress in the United States and the Canadian House of Commons illustrate this mistrust. By winning over the public and acting transparently, the deal was ultimately sealed "with net benefit to Canada" as determined by Canada's Minister of Industry (Yee & Jones, 2012). This ensures that the Canadian public is best served and their interests are protected.

CNOOC is a state-owned enterprise in China and one of the nation's largest corporations. Multiple subsidiaries of the corporation are publicly traded, but the government of the People's Republic of China is the largest shareholder. CNOOC had planned to make a strategic investment decision in the United States to further expand their global holdings. This led to an analysis of potential buyout opportunities which eventually led to an offer and bidding war with Chevron to acquire Unocal. Unocal was of particular interest to CNOOC as they had substantial investments and holdings in Asia which is CNOOC's major market (Gheit, 2005). CNOOC eventually made multiple bids, with one as high as \$18.5 billion USD, but had to withdraw this bid as they determined Congress was likely to rule against the acquisition attempt for a number of reasons, including national security, Chinese government backing of CNOOC, and Unocal being in possession of proprietary technologies and information that the United States government deemed sensitive (White, 2005).

As the bid to acquire Unocal failed in the United States, the Chinese National Offshore Oil Corporation was still in pursuit of acquiring a large international asset, but this would not occur for a number of years. After a failed bid rejected by shareholders of Nexen Inc. in Canada, CNOOC would take some time to decide a new course of action. In 2012, CNOOC announced that it would be paying a substantial premium of 61% over market value per share for Canadian oil corporation Nexen Inc. (Yee, 2012). This announcement came with another from the Canadian government stating that they would conduct an assessment of the deal to ensure "that it is of net benefit to Canadians" and would review the deal in terms of security concerns and shareholder approval (Yee, 2012). Shareholder approval was rapidly obtained as the premium being paid was more than fair. The deal was investigated by both the Canadian authorities who approved it in December of 2012, and the American authorities, due to Nexen Inc.'s substantial American deals, approved the takeover bid in mid-February of 2013. The deal closed shortly thereafter, marking CNOOC's largest and most successful international buyout to date. Interestingly enough, CNOOC's foray into the Canadian oil and gas sector would open up the doors to further investment in the industry by other Chinese firms.

The Nexen takeover is evidence that different approaches to international expansion for Chinese multinationals can lead to substantially different outcomes. Both Unocal and Nexen, Inc. were similar sized corporations operating in different home markets. As CNOOC had had prior business dealings with Nexen Inc., and offered a substantial premium on the market price of Nexen Inc.'s traded shares, they managed to swing public opinion in their favour. This was a notable change especially given that CNOOC is a major state-owned and backed Chinese enterprise. Approaching the negotiation with a different mindset and tactic can evidently lead to the outcome desired by both parties within the negotiation.

Huawei has much to learn from CNOOC with potential for expansion into the American market. In opposition to their current desire to establish telecom hardware in the country, they may be able to engage in joint ventures in the United States. This is similar to the requirements of corporations seeking to enter China. An approach of this method would begin to build a foundation of trust from which Huawei could launch their bid to be seen as a premium and respected retailer in the Western consumer goods sphere. By building strong rapport with the Canadian government and industry, CNOOC was well poised to make an international expansion into Canada, and even within an industry often deemed to be nationally strategic success was found.

As CNOOC has expanded into Canada and other global markets it has positioned itself as a well-regarded Chinese enterprise, even with its' state backing. It is believed that CNOOC manages business affairs with minimal Chinese government interference which has led it to become a successfully operating corporation, as can be seen in "Chinese National Offshore Oil Corporation annual stock price, 2006-present" which indicates strong financials even amid a falling stock price, and limited apparent intervention from the government to prop this price higher (Table 2). CNOOC benefitted from the previous Canadian governments' intentions to progress Sino-Canadian relationships, but from this point forward, all future oil-sands projects involving foreign investment are banned unless government approval has been received. This is a strong indication of apprehension remaining among Western officials and within Western society, but it also portrays a desire to work with the Chinese corporations that are highly regarded.

Although potentially seen as unfair or disadvantaged, Huawei must start from a more disadvantaged point than other global competitors. As the world adapts to Chinese influence on a more global scale, Huawei may find that American Congress opens up to more Chinese entrances in sensitive markets. This would largely contribute to a redefined success level for Huawei globally. By analyzing the approaches taken by CNOOC, Huawei may find ways to expand more effectively into the United States.

GOVERNMENT POSITIONING

Drawing back to Lenovo's acquisition of IBM's ThinkPad division, it is imperative to bring attention towards specific actions taken by the American government with regards to national security and safety. Specifically, according to the Wall Street Journal, "After Lenovo acquired IBM's personal-computer business in 2005, the State Department banned use of the PCs on its classified networks in the U.S. and abroad" (Dou, 2015). By mandating a change to a different computer brand, the American government is reinforcing the notion that America and the West have a deep inherent distrust of the Chinese government and large Chinese corporations that often have, and do, maintain close ties with the communist government of the People's Republic of China. These examples illustrate the immense hurdles and challenges that Chinese brands have to overcome to be fairly regarded as premium products. The issue is one that is deeply ingrained in the minds of many Western consumers. Overcoming the hurdle of "made in China" will not happen overnight, and in some aspects, the mental barrier is justified. The Western Government's actions often influence consumer mindsets via activity such as Acts of Congress blocking corporations, implementation of tariffs or taxes, or news articles detailing how the government is moving to a new supplier or brand. Typically, this is often due to security fears. Consumers in the West do place some value on country of manufacture and origin, so the issue is one that cannot be oversimplified and solved with the flick of a wand. The Chinese corporations at the forefront of international expansion including Lenovo, Huawei, and CNOOC have begun to pave the way for a growing Chinese economy and premium level market for international Chinese brands. As China becomes the World's most powerful and largest economy, this path will become more well-trodden by corporations that can effectively leverage the knowledge these first mover corporations have accumulated.

Negative publicity in recent years has also lead to the West taking an unfavourable view of Chinese corporations for a variety of reasons that include human rights violations in the country (HRW, 2016). This could be interpreted as a misinformed, but not unsubstantiated view. For instance, Apple sources production and assembly of their phones to a large Chinese manufacturer named Foxconn. Foxconn has repeatedly fell into fire for their unfair

labour practices and injustices against their employees. The corporation also assembles the phones of many Chinese handset makers (CBS, 2012). *If the general public was more aware of the practices at hand regarding the Foxconn labour issues, Apple phones would not be priced at the premium they are and still manage to sell an absurd number of devices. The realization that Huawei and other brands all use many of the same suppliers would therefore make for a more level playing field.* Foxconn has come under fire for their practices leading to the deaths of two staff members as cited by The Wall Street Journal (Dou, 2016). The initial response to the issue involved installing “suicide nets” to catch those who try to jump and commit suicide within the factories. Recent changes have involved working on assistance programs that Apple has been involved in designing (Dou, 2016).

As much as these issues are prominent and critical in today’s World, they do not seem to impact the global perception of western corporations such as Apple, but they do appear to have large impacts when the corporation is a Chinese one expanding outwards. Apple receives incredible criticism at home over allegations such as these, but as the practice is standard within China, the brand does not receive the same level of negative attention or press within China as it does at home. This contradictory position may be why corporations such as Huawei who also use Foxconn have a larger issue expanding outwards when their labour practices may be seen as unfavourable in the West and they are based or owned in China.

CHANGES IN CHINA

As the general population in China ages, and the younger generation begin to take on more prominent roles in business and government, it will change the global business landscape. This younger generation in China has had substantially more exposure to Western cultural ideals and practices, and have a deeper understanding of how Western corporations approach businesses. This knowledge will allow the Chinese corporations to better expand within Western markets and position themselves how they should be positioned. With a generation more in tune with, and deeply interested in Western ways, businesses stand to benefit enormously. China often acts in a method that is seen as contradictory or in the spirit of “double-standards”. China expects to be able to expand globally and invest where it wants and when it sees fit, but American or other corporations looking to expand into China are forbidden from entering many markets that China enters themselves overseas such as oil and telecommunications. China requires foreign corporations looking to enter China to establish a joint venture with a local Chinese firm. If China took this approach to their investments elsewhere and had joint ventures with minority or equal stakes, they would likely been seen as more trustworthy and would begin to remove the stigmatism associated with Chinese government majority held operations having a majority say in foreign countries. Foreign businesses entering China are restricted to a 50% ownership stake. For example, BMW in their ventures into the Chinese market has partnered with a local corporation, Brilliance China, and the Shenyang government who own 45% and 5% respectively of BMW’s Chinese production joint venture (Richardson, 2002). In comparison to these regulations, Congress in America and the House of Commons in Canada often assesses deals, but they do not restrict ownership to 50% in all industries. If Chinese corporations want to be considered fair players on the global stage, easing of these restrictions to a level similar of the West could be interpreted as a move in the right direction, ultimately benefitting the Chinese businesses looking to set up shop as high end retailers. By easing restrictions as manufacturing and other perceived low-end industries continue to move out of China, the corporations are increasingly well positioned to drop the “made in China” stigmatism and become fully respected global high end brand names.

As one of the World’s premier economies, China has often struggled in the high-end sector, especially in the Western marketplace. By failing to position effectively, Chinese brands do not receive the prices or recognition for their goods that comparable Western corporations do. Lenovo as a Chinese brand has done an effective job avoiding these issues, and has successfully negotiated to acquire well-regarded American divisions including ThinkPad, while maintaining strong positioning in the Western markets. Some of this success can be attributed to the fact that Lenovo has a corporate structure more similar to what is typical in the West than Huawei, which has been shut out of the American market, resulting in Lenovo being more broadly trusted by both government and the public. The “made in China” label has been China’s greatest asset during its period of industrialization and

rapid economic growth, but it now acts as the anchor drawing China down, heavily weighing upon luxury, high-end brands.

Corporations such as Apple have effectively worked into the Chinese market, and have managed to capture a sizeable market share. Demand for luxury Western products in China is extremely high, and Apple has benefitted from this hugely, but still fails to grab top place for market share, though fares better in China than most Chinese corporations fare in America and other notable Western markets. Huawei has found moderate success in Europe, but barely has any semblance of brand name recognition in the United States or Canada. Huawei has placed significant investments in places such as Mexico, suggesting that it is attempting to be well poised to eventually enter the American market.

The United States government carries a substantial mistrust of corporations such as Huawei when they are attempting to expand into the country. Congress has blocked Huawei from establishing telecom infrastructure in the United States as they believe that the Chinese government is too deeply involved with Huawei, posing a security threat to America. In other examples, they have blocked Lenovo from obtaining critical information from IBM when they acquired their server and ThinkPad divisions citing national security.

CNOOC has provided many good examples for how to approach or not approach an acquisition target as a corporation backed by the Chinese government. CNOOC failed in its Unocal bid as the offer was interpreted by many as a hostile takeover. By taking an approach more accepted by public and government in Canada, CNOOC successfully acquired Nexen, Inc. As the younger Chinese move into more prominent business roles they will bring a wealth of understanding of Western society compared to the current generation, likely leading to a more accepting Western market for Chinese luxury products.

Many of China's regulations are contradictory to what they are trying to accomplish in the global world, and may be detrimental to what they are trying to do as premium brands. Overall, Chinese brands have struggled recently to position themselves globally as high-end brands, but they have made strides in the right direction, and the future is bright for Chinese high-end luxury goods as they begin to change perceptions and ultimately gain global acceptance.

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