



1 Goal:

Identifify China's tech trends & innovations

China e-commerce

China tech giants

New Retail



























7 key insights



- By 2020, China accounts for 55% of global e-commerce
- 2. Young affluent Chinese consumers have changed the face of retail
- 3. To Chinese consumers, trust is still a major issue
- 4. Key Opinion Leaders (KOLs) guide the Chinese customer journey
- Mobile dominates life in China
- 6. Alibaba's 'Hema' illustrates their O2O (online to offline) strategy
- 7. Alibaba's ambition is to become the worlds 5th economy

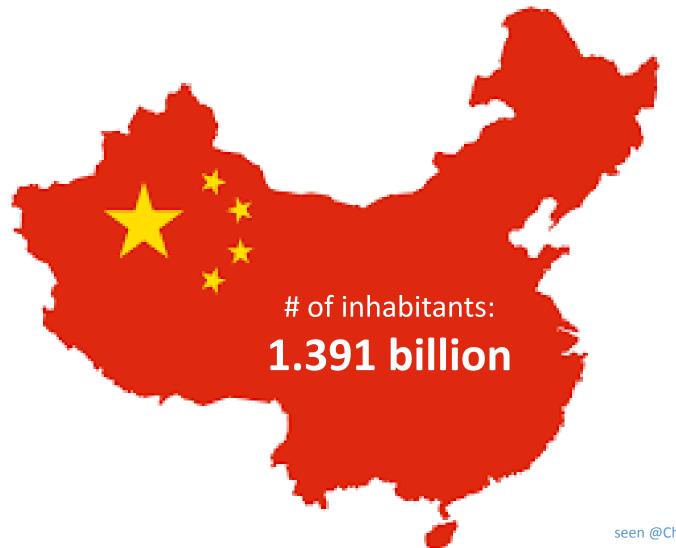


In number of inhabitants, China is 4 x the size of the US



of inhabitants:

327 million



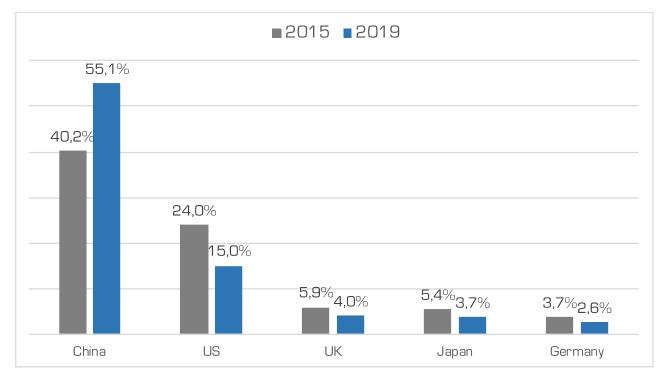


Global e-Commerce Sales in 2017	Value*
China	1.208
US	442
UK	121
Japan	111
Germany	76
France	50
South Korea	47
Canada	35
Brazil	25
Market data as provided by Alibaba	* in bn \$

The Chinese government is transforming China's agricultural economy to a digital customer focused economy, with the goal to become the **world's no 1 economy**

Due to extensive e-commerce growth, China is expected to account for over half of global e-commerce by 2020





China's e-commerce growth is accelerating, due to increasing middle class wealth and internet penetration.

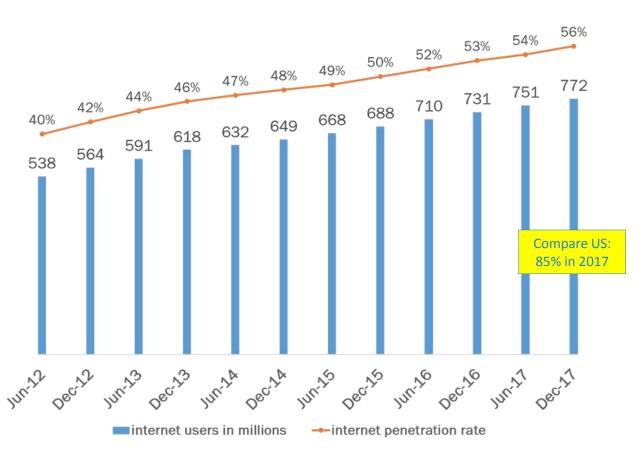
Still, 82% of China's national retail is offline



There are 109 cities with > 2.5 million inhabitants tier 1 & tier 2 Between 2016-2020, 50 million new households will enter middle-upper class. tier 3 & tier 4 Half of them will be located outside the mega cities

Internet penetration in China exceeds 770 million users, and is expected to keep growing

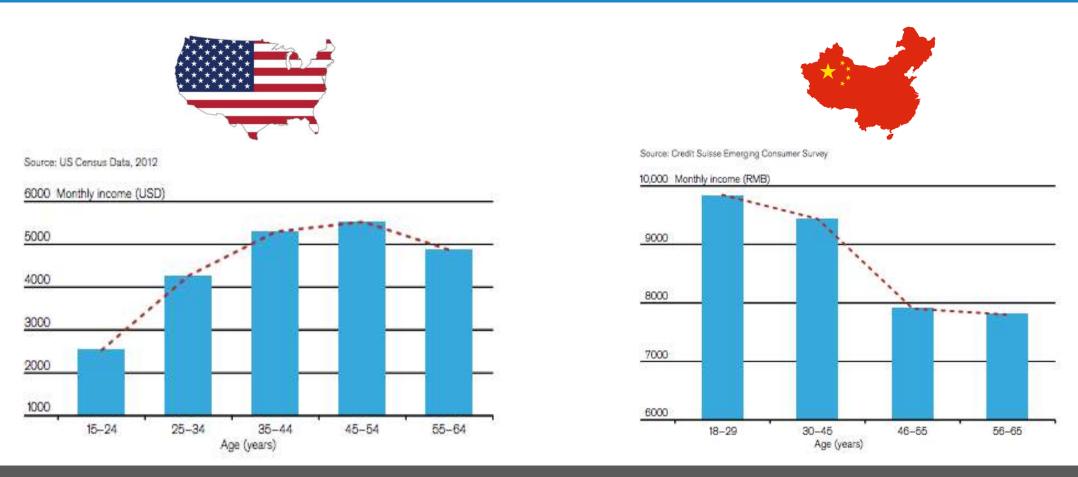




Source: China Internet Network Information Center (CNNIC)



China's GDP growth is predominantly driven by consumption patterns of the milennial generation



Due to the 1 child policy, they inherit all of the family assets, which they consume via loans

The post-80s and post 90s generations are both digital savvy, but lifestyle and preferences differ

Post-80s Sophistication & wealth Humble upbringing Fitting in Have kids Believe the Chinese dream

Both segments are pragmatic on price, but increasingly concerned about quality, value and service







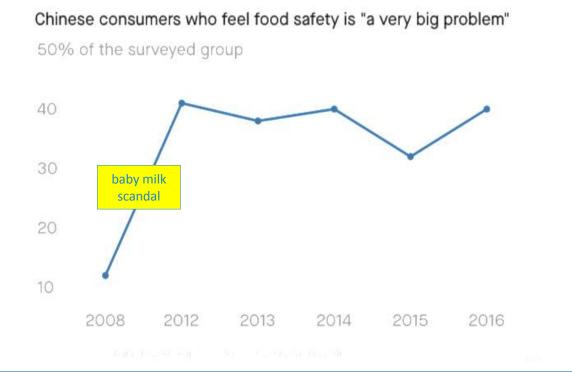
In China, the 2008 baby milk scandal, still echos today

Buying infant milk powder is still a really scary thing in China

By Echo Huang • November 22, 2017

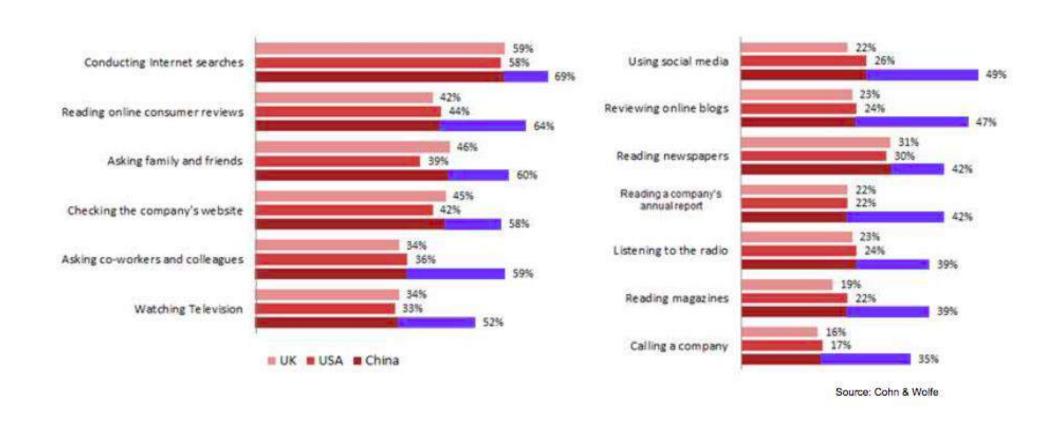


The scandal involved infant formula being adulterated with melamine, killing 6 babies and affecting 300k families. Multiple producers were involved. It was not regarded an isolated accident, [but] a large-scale intentional activity to deceive consumers for simple, basic, short-term profits.





As a result, Chinese consumers spend a lot of time researching online



Over 50% of China's digital consumers use social media for product research or recommendations

And when it comes to 'sensitive' products, they prefer Western brands, sold at cross border e-commerce sites



28/09













household



Key Opinion Leaders are online content creators on social media, who act as a role model for China's youth



Some KOL facts:

- ✓ KOLs in China work on 3-5 platforms
- **☑** Top tier KOLs reach millions of consumers
- ☑ KOLs work in several product categories like auto gaming finance beauty fashion
- ☑ Brands use 5 20 KOLs at the same time
- ▼ The most popular KOLs operate their own brands, some of them grew as big as Zara
- ✓ A typical KOL lasts for 2-5 years

Consumers not only get inspiration but also buy directly from KOL's

Social buying is really common in China; people buy directly from KOLs, whom they trust

Every KOL content leads to a check out; buy buttons are all over social channels





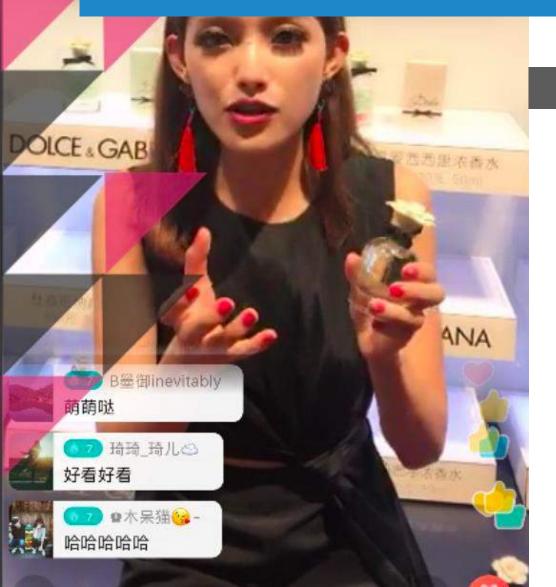








Western brands need KOLs to advertise their products in China



3 Reasons to work with KOLs:

- There is no access to advertizing data across social channels for (re)targeting
- Chinese milennials search less for products on Baidu (the Chinese Google) and more directly on marketplaces (WeChat Shopping, TMall and JD.com), where KOLs operate
- KOLs not only create brand awareness, but can also boost product sales



Since western platforms are not allowed in China, a different, mobile based ecosystem has developed



China's tech landscape is dominated by two tech giants: **Alibaba**, China's biggest online retailer (owning Tmall and YouKu), and **Tencent**, known for its multi purpose instant messaging platform WeChat. Alibaba and Tencent are the driving force of digital innovation in China.

WeChat integrates messaging, social media and e-commerce with civil services, creating the all-in-one app for China



With 1 bn users, WeChat is equivalent to internet in China, where privacy is subordinate to a higher purpose.

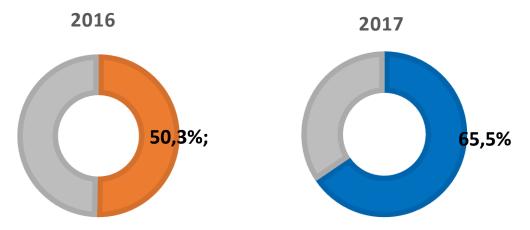
Mobile dominates both online and offline checkout, creating a 'cashless society'



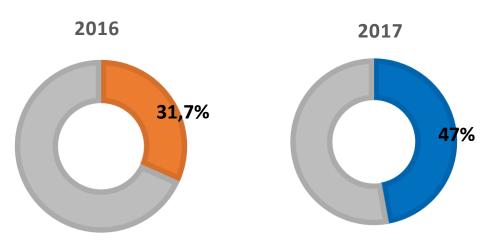
2 dominant mobile payment providers:

VYCUIDLICAY 支付宝

Mobile payment penetration rates in cities:



Mobile payment penetration rates in rural areas:



Self-check out concepts using combined technologies (like RFID and face recognition) are on the rise

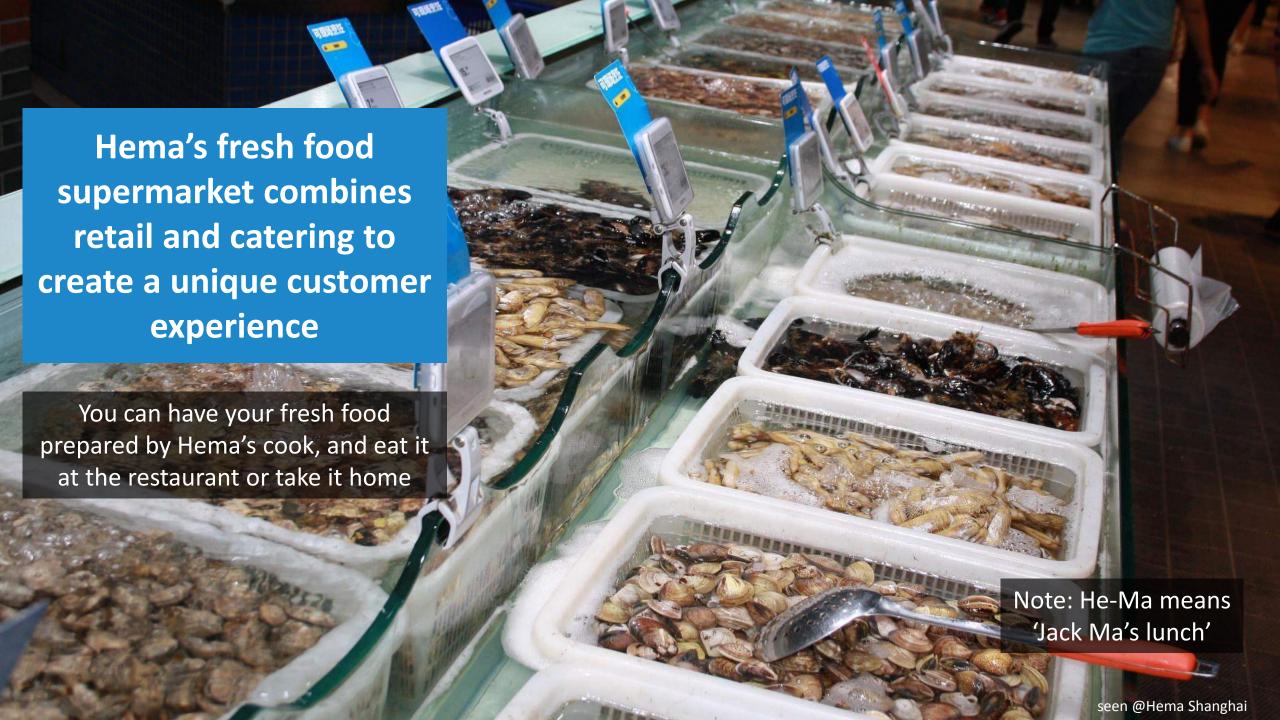
Selected Product(s)

AlipayHK 環保袋 AlipayHK Tote Bag

HKD1.00 X 1

- Like their western counterparts, China's tech giants are experimenting with cashier-less stores using technology
- JD.com is rolling out stores that combine face recognition,
 QR codes and RFID
- Tencent partners with Carrefour in 'Le Marché'; a high tech supermarket with face recognition and unmanned checkout
- Also Alibaba as seen in HongKong tests unmanned concepts using RFID and QR technology
- The main difference with the western world, is the speed at which these concepts are tested and rolled out in China





Hema is an example of 'new retail': a blend of online, offline, logistics and data across a single value chain



Instore technology enhances shopper convenience and trust:



QR codes

give date & place of origin for fresh products like fish and vegetables, using blockchain technology



Digital price tags

allow for dynamic pricing on fresh food, e.g. to mark down prices for fresh food by the end of the day



Mobile app

mobile orders make of 70% of sales. Push notifications on the fresh products of the day, help build customer loyalty.

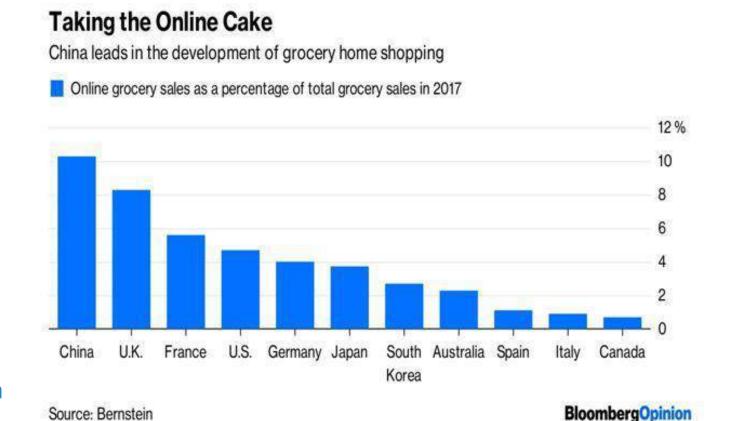


The Hema supermarket concept will be rolled out quickly throughout China, and perhaps beyond



The number of Hema supermarkets wil grow from 65 now to 2,000 in 3-4 years time,

leveraging the popularity of online grocery shopping in China









Their strategy of 'inclusive globalization' aims to digitize smaller companies in order to sell global

Offering an ecosystem with integrated commerce - logistics - finance - entertainment solutions,

striving for local delivery in 24 hours and global delivery in 72 hours "One-Day Lifecycle"

未来的冰箱不再冰冻食物,再小的产业都可以

接受个性化完制配送服务

On last year's Single's Day, Alibaba's online retail sales peaked at 25 bn USD



In terms of market capitalization, Alibaba is among the highest ranking tech companies in the world





Alibaba Group Holding Ltd (NYSE: BABA)

founded in 1999 and is based in Hangzhou provides online and mobile marketplaces in domestic retail and wholesale trade, as well as international cross border ecommerce

野蚁盖服 ANT FINANCIA

Ant Financial

Isan affiliate company of Alibaba, and the highest valued fintech company of the world. T operates Alipay, the mobile and online payments platform,



Xiaomi

Chinese producer of smartphones, wearables, and tabets, based in Beijing, founded in 2010.,



Tencent Holdings Ltd (OTC: TCEHY)

Founded in 2000, provides value-added mobile internet via WeChat and other platforms, like QQ (games and music)



Baidu Inc (NASDAQ: BIDU)

Leading Chinese language internet search provider founded in Beijing in 2000, offering search, online marketing and e-commerce solutions.

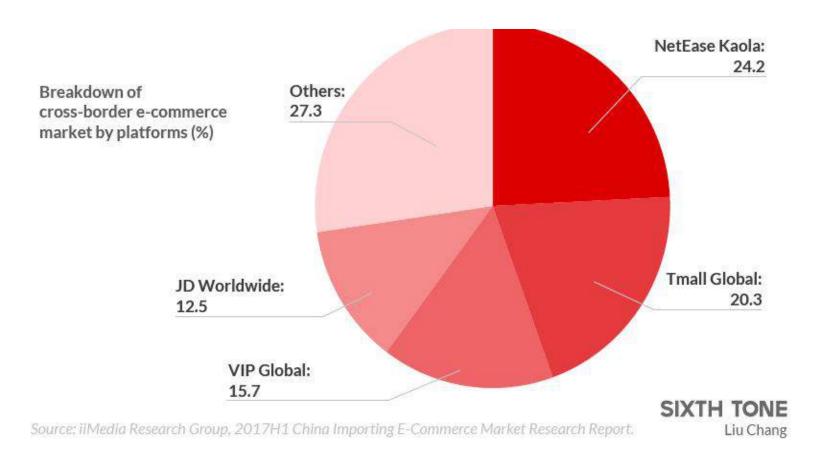


JD.Com Inc (NASDAQ: JD)

Founded in 1998, JD mall allows local sellers to open individual shop fronts and cross-border services with supply chain solutions, including warehousing, delivery, and after-sales service

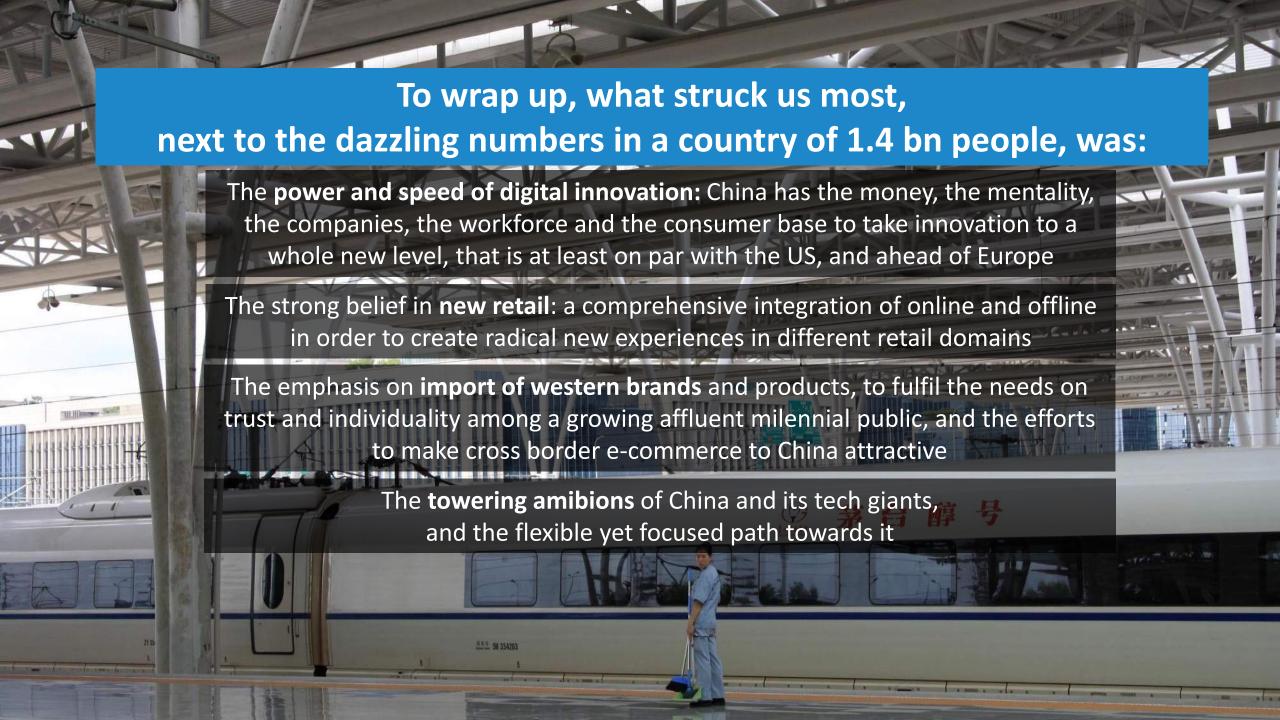
Source: Statista.com

There is still room for new platforms, like challenger Kaola that took over pole position in cross border e-commerce





NetEase Kaola provides Chinese consumers with high quality products from international brands at competitive prices. Kaola establishes strong relationships with international brands and directly purchases most of its inventory from brands overseas, bypassing intermediaries and local distributors to lower costs, the benefit of which is passed down to consumers.







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