

COVID-19

CHINA ON THE REBOUND

DIGITAL ASSETS THAT BRANDS SHOULD LEVERAGE NOW



THE CURRENT STATE OF AFFAIRS

- The impact of this health crisis on businesses worldwide will be long-lasting on all industries. With COVID-19 continuing its spread throughout the world, **consumer spending has fallen dramatically and brands are bracing themselves for the economic fallout that is to come.**
- China, one of the key growth sectors for the luxury industry, was hardest hit when the situation first erupted late last year in the Hubei province. Retail sales plunged 20.5% in January and February compared to the same period in 2019, industrial output was down 13.5%, and fixed asset investment fell by nearly 25%. **However, preliminary data for March by analysts suggests that the Chinese economy is making progress and recovering.**
- **Experts are predicting a second quarter rebound, though it might be slow going.** While the road to recovery might be a long and arduous one, China's sophisticated tech infrastructure and aggressive governmental policies will be instrumental in pushing things in the right direction for the country.
- As the rest of the world continues to grapple with virus containment measures, **international luxury brands should consider shifting their resources to this market to cushion the impact of their contracting businesses in other markets this 2020**, while investing a long-term expansion plan in the country.

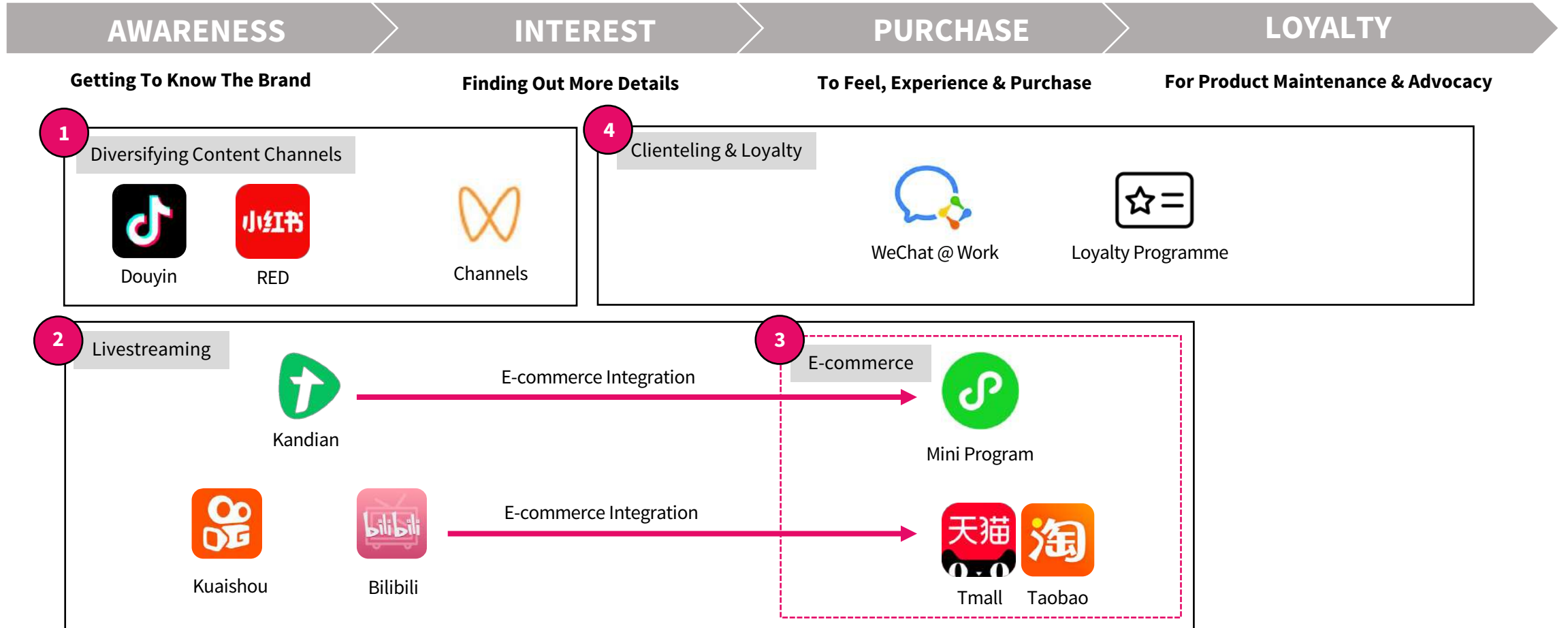
THE CONSUMER JOURNEY



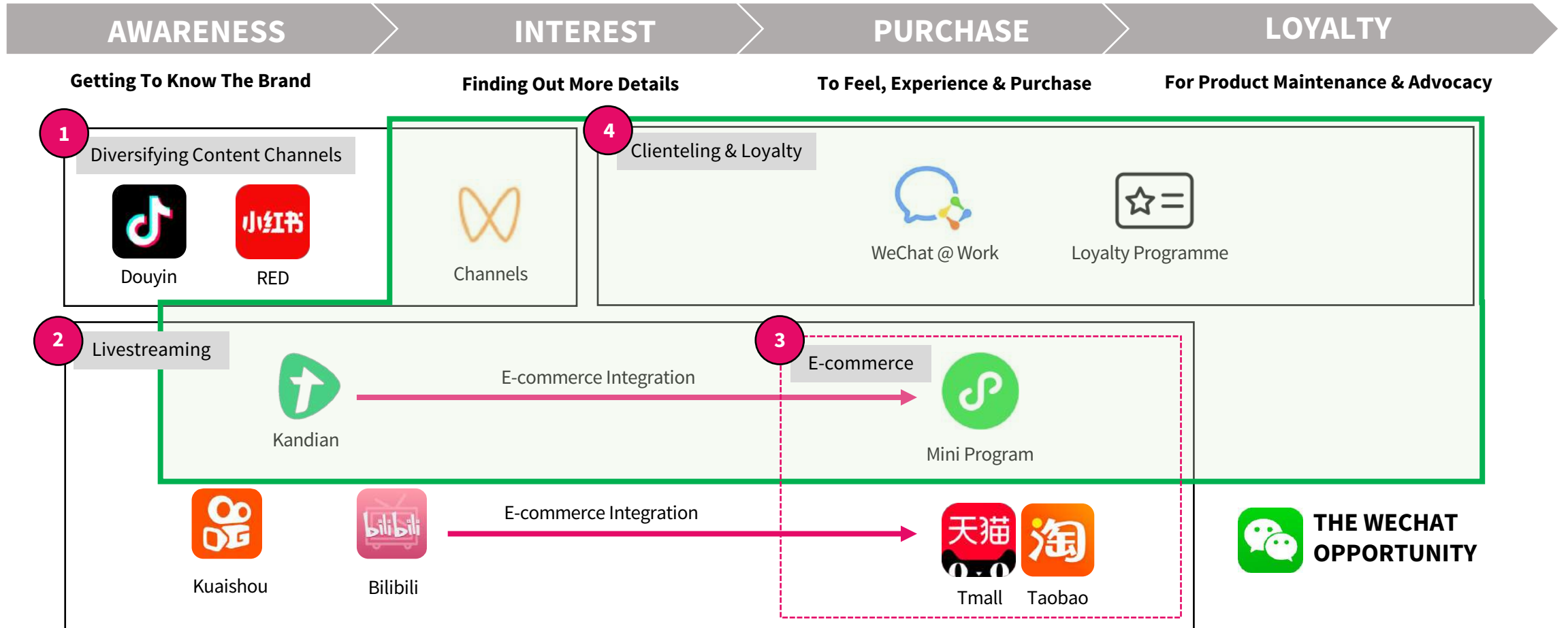
IMPACT OF COVID-19 = FEWER TOUCH POINTS + CONSUMER JOURNEY INTERRUPTED

X: Consumer touchpoints affected by the COVID-19 outbreak

THE CONSUMER JOURNEY OPPORTUNITY



THE CONSUMER JOURNEY OPPORTUNITY



1. DIVERSIFYING CONTENT CHANNELS

THE CHINA LANDSCAPE TODAY

DIVERSE CONTENT ECOSYSTEM

With a diverse range of applications and solutions built to service different areas and needs throughout a user's day, Chinese consumers are **constantly plugged into the digital ecosystem**.

Since the onset of the the COVID-19 health crisis in late-November 2019, Chinese consumers have been increasingly relying on these applications. As businesses and offices remained shuttered after the extended Chinese New Year holiday in late-January 2020, **users spent 20% more time on their mobile phones**, according to analysts. **Weibo usage grew by 31%**, **Douyin grew by as much as 102%**, while downloads of all **Tencent apps in February grew 32.3% month-on-month and 42.9% year-on-year**.

As users flock to various content platforms for entertainment while stuck at home, brands need to ensure that they are **diversifying their channel strategy** in terms of content so as to reach this population of restless young shoppers – who are most likely to spend once the crisis passes.





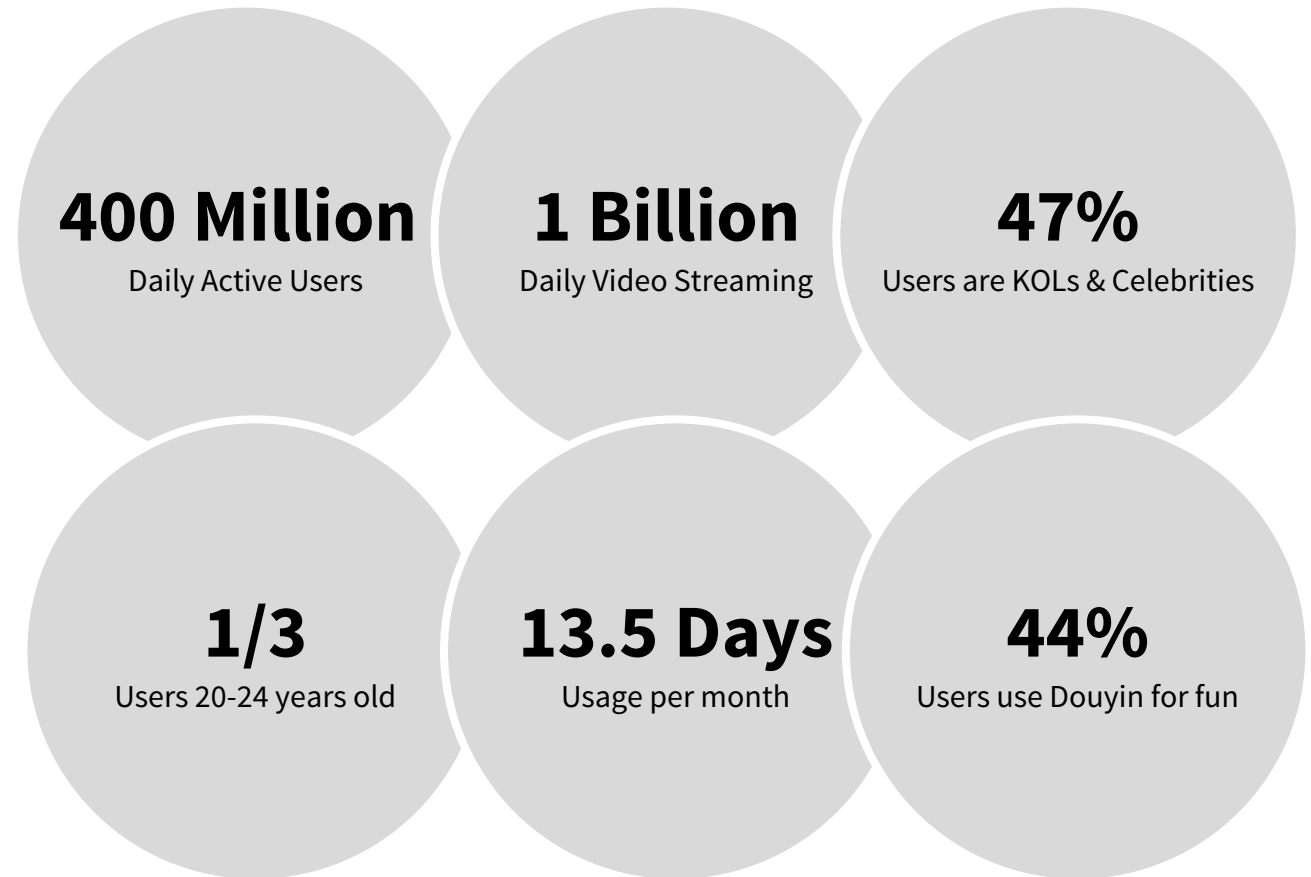
DOUYIN

THE #1 SHORT VIDEO PLATFORM

The era of short videos is already upon us, and such content will become essential in the daily lives of users. Douyin is currently the **nation's top short video app**.

It allows users to create and post short videos, occasionally with artistic filters and is always set to music. Videos can earn hundreds of thousands of likes, garner followers for the poster and land on public feeds.

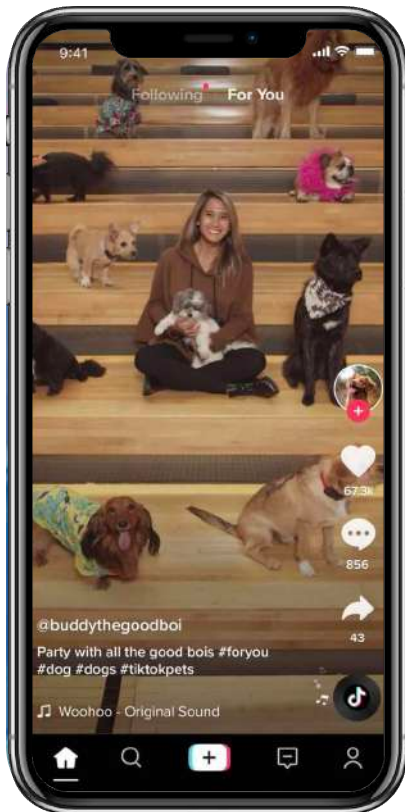
- ✓ An important platform for brands to capture the attention of young target audiences
- ✓ **21.7%** of Douyin users used the app between **10 to 19 times** in the month of January
- ✓ Over the same period, **38%** of users spent **more than 30 minutes** on the app



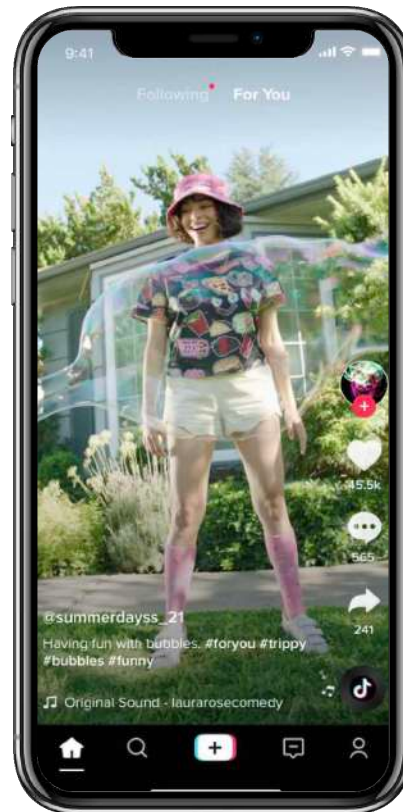


DOUYIN

THE #1 SHORT VIDEO PLATFORM



Browsing trendy and interesting videos



Creating your own videos with selected music, features, and special effects



Following and engaging with brands through Douyin Challenges



Following and engaging with posts from celebrities and KOLs

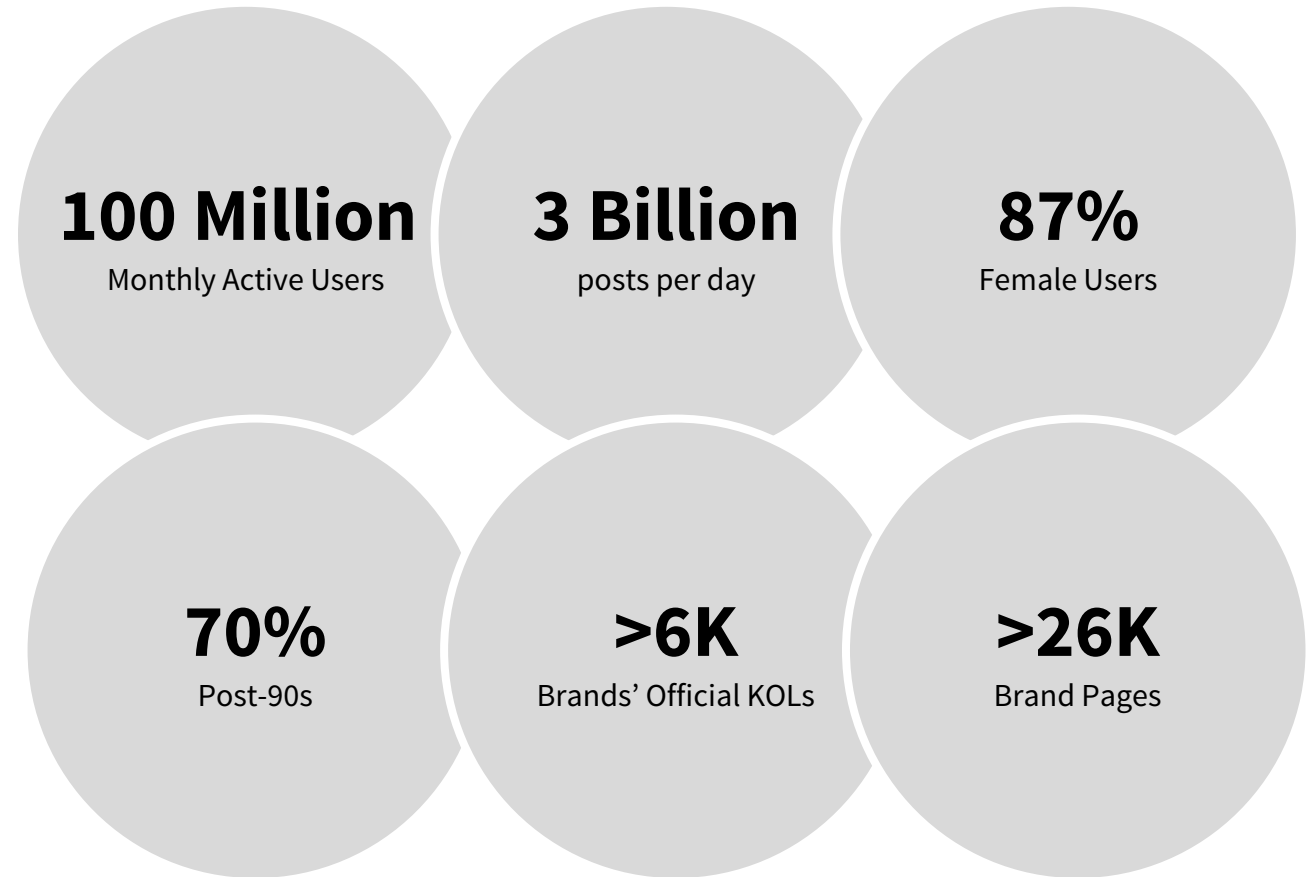


RED (XIAOHONGSHU)

THE ULTIMATE PRODUCT SEEDING WEAPON

RED (Xiaohongshu) is China's largest lifestyle and social commerce app. Its brilliant social networking interface allows brands to build **trust and reputation amongst potential buyers through user-generated reviews** and tips, while also generating sales through its integrated e-commerce system.

- ✓ Driven mostly by user generated content (reviews, tutorials, etc.)
- ✓ Known for its community of fashion and beauty lovers
- ✓ Primarily known for its cross-border e-commerce model



RED (XIAOHONGSHU)

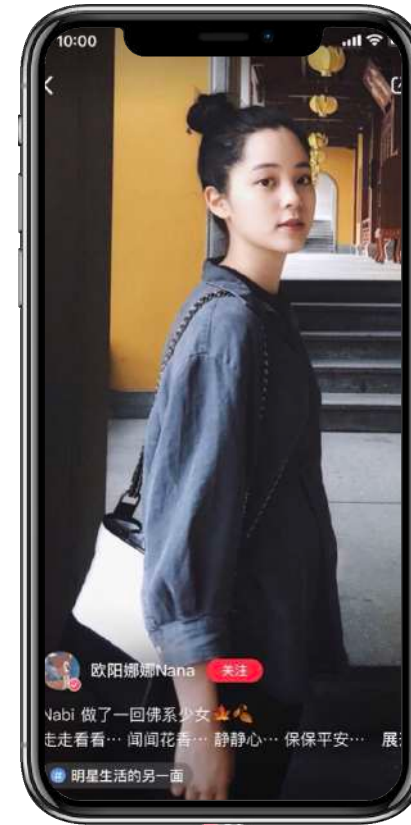
THE ULTIMATE PRODUCT SEEDING WEAPON



Discovering new products through KOL and user reviews



Brand news feed



Following KOLs and celebrities through vlogs



Browsing experiences and reviews from other users



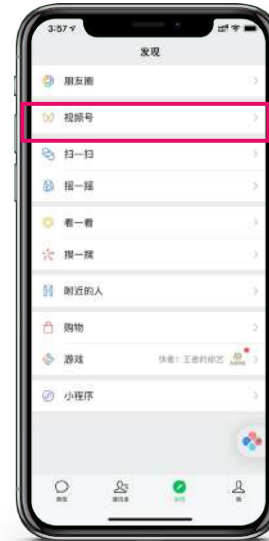
WECHAT CHANNELS

BRAND NEW VIDEO FEED

Compared to WeChat Official Accounts (OA), WeChat Channels functions a lot more like Western social media platforms and offers a **much more open way to connect and interact with other users and brands**. With its infinite-scroll feed and focus on videos, **Channels is most similar to Instagram**.

Unlike WeChat OAs, content dissemination on Channels follows a **pull rather than a push model** – users have to actively seek out the Channels function to browse content, as opposed to having it delivered directly to their inboxes. Within Channels, users will be shown a mix of suggested content, as well as content from accounts followed.

- ✓ Active content consumption model
- ✓ Focus on videos and highly visual elements
- ✓ Posts easily shareable within WeChat community



Accessing WeChat Channels



Following Account



Users Can Engage With Brands



Cross-linking to WeChat Posts Supported

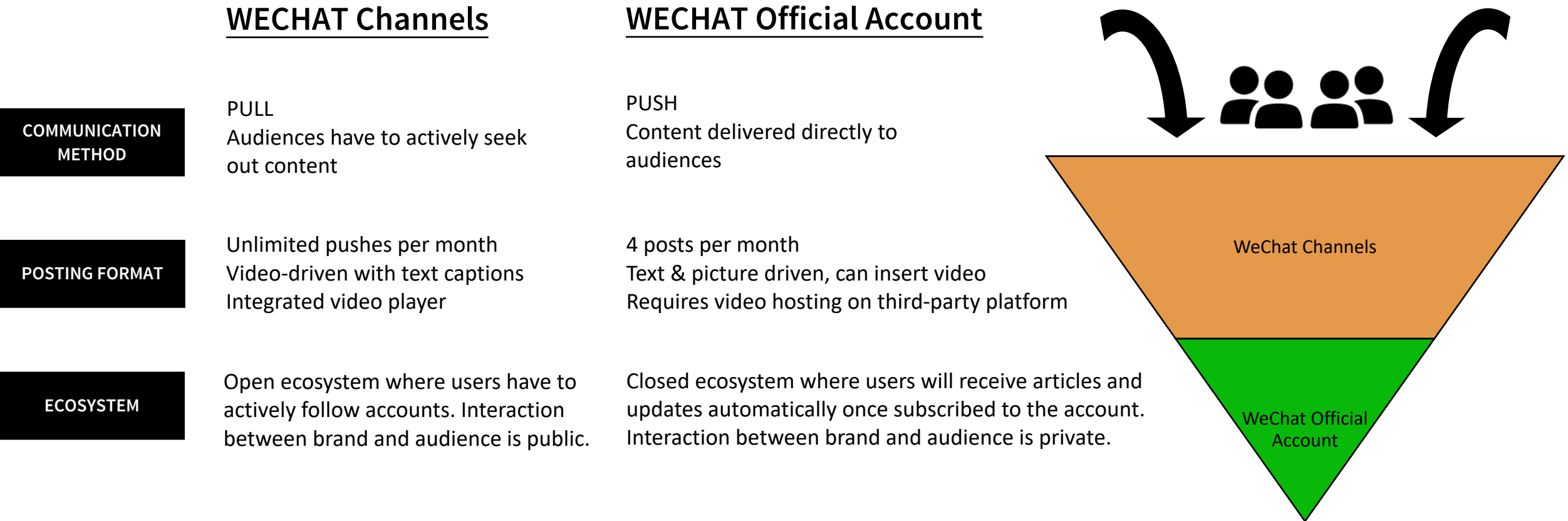


Videos Can Be Shared With Friends



WECHAT CHANNELS VS. WECHAT OA

AN OVERVIEW



2. LIVESTREAMING

THE CHINA LANDSCAPE TODAY

LIVESTREAMING ON THE RISE

As the virus continues to propagate in societies, governments worldwide have started discouraging or even downright banning the gathering of large numbers of people and are heavily promoting **social distancing**. Naturally, offline events have taken a backseat and, brands are either **cancelling** or **postponing** global events to a later date.

In China, brands have instead adopted digital solutions to address the issue. Both large- and small-scale events are now **livestreamed** – from parties to fashion shows.

Shanghai Fashion Week was livestreamed on the Tmall Fashion Cloud.

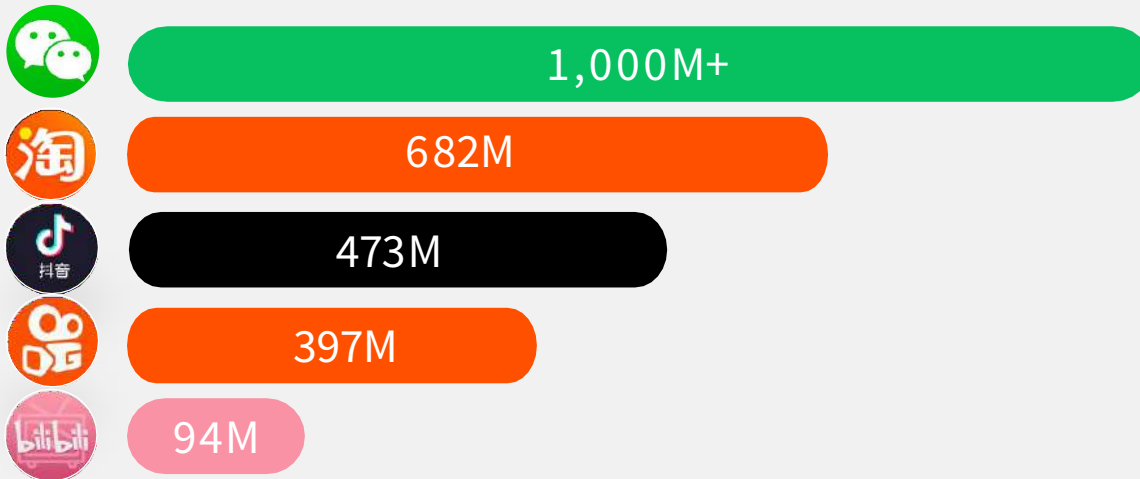


W Hotel hosted a livestreamed party earlier this month.

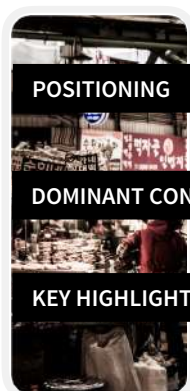
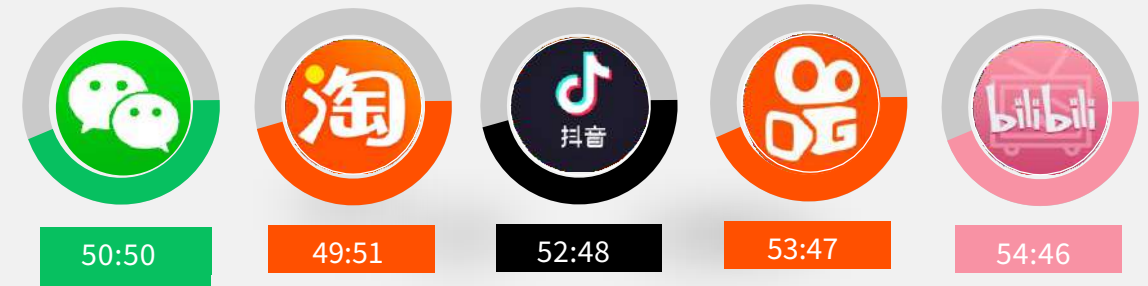
LIVESTREAMING PLATFORMS

AN OVERVIEW

MONTHLY ACTIVE USERS (MAU)



MALE : FEMALE Demographic of MAU



POSITIONING

DOMINANT CONTENT

KEY HIGHLIGHTS



Integrated digital platform for everyday use

BGC: High
UGC: None

WeChat in-station platform, extensive connection with brand-owned media
WeChat commerce



The # 1 e-commerce platform belonging to Alibaba Group

BGC: High
UGC: None

The largest and most widely used livestreaming for sales



Short-video giant with music engagement

BGC: Medium
UGC: Medium

Most active livestreaming platform with massive engagement
Allows redirection to third-party platforms



Original short-video platform for recording everyday moments

BGC: Low
UGC: High

Diversified platform with high percentage of rural users



Video streaming platform for animation and gaming

BGC: Low
UGC: High

Highest percentage of males
Well-known for its depth of content

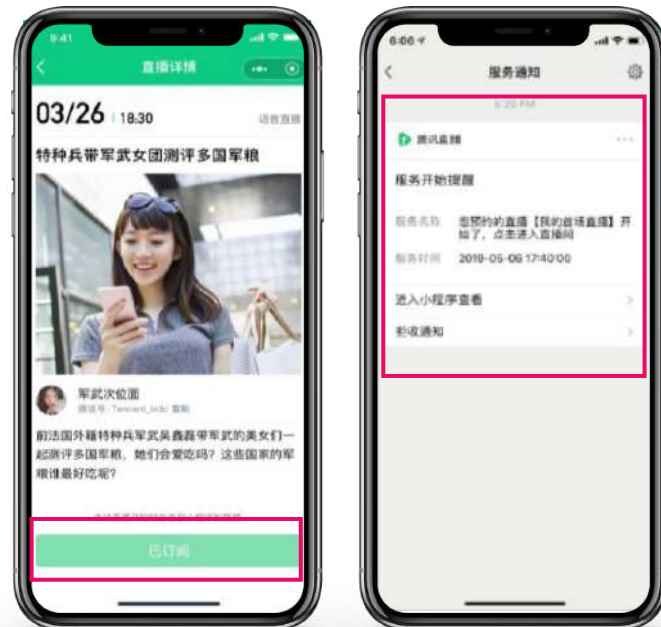


WECHAT KANDIAN LIVE

NEW LIVESTREAMING FUNCTION

Kandian Live is a Mini Program launched by WeChat, which serves as a professional, stable and convenient online livestreaming solution for WeChat in-station content creators and merchants. Content creators and merchants can start broadcasting and sharing with WeChat followers through the Tencent live streaming app, and followers can subscribe and watch livestreams, share them with friends and purchase products directly via embedded H5/connected Mini Programs.

CONVENIENT SUBSCRIPTION MECHANISM



Easy to subscribe and receive a notification to watch livestream

EASY TO SHARE WITH FRIENDS



Subscribed livestreams can be shared with WeChat friends easily

SEE NOW, BUY NOW



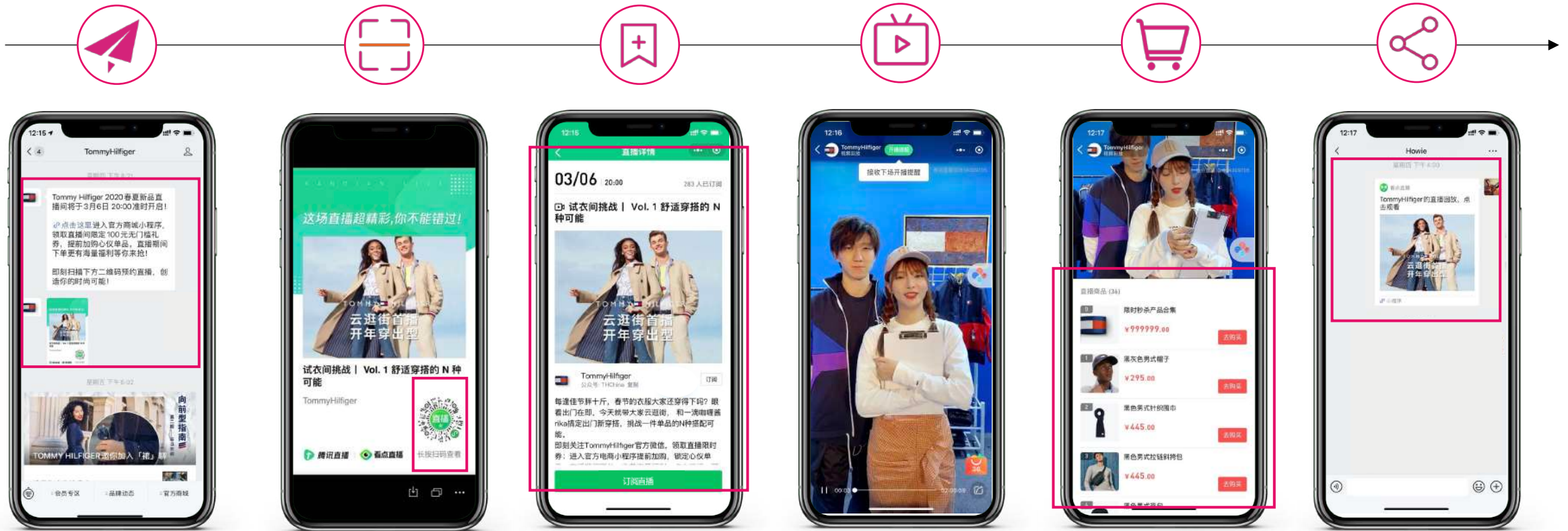
Similar to Taobao Live, followers can purchase products conveniently



WECHAT KANDIAN LIVE

CASE STUDY: TOMMY HILFIGER

Tommy Hilfiger launched a livestreaming session promoting its existing product lines during the COVID-19 period.



Official Account announces livestreaming session

Followers subscribe to the livestream via QR code

Fashion KOLs introduced brand, mixed & matched products to encourage followers to purchase

Fashion KOLs encouraged followers to forward livestreaming to friends

TAOBAO LIVE

AN INTRODUCTION

Taobao Live focuses on product sales with discounts and is promoted by Taobao-specific KOLs. Livestreams are directly connected with the brand's Tmall flagship store, facilitating quick and immediate purchases.

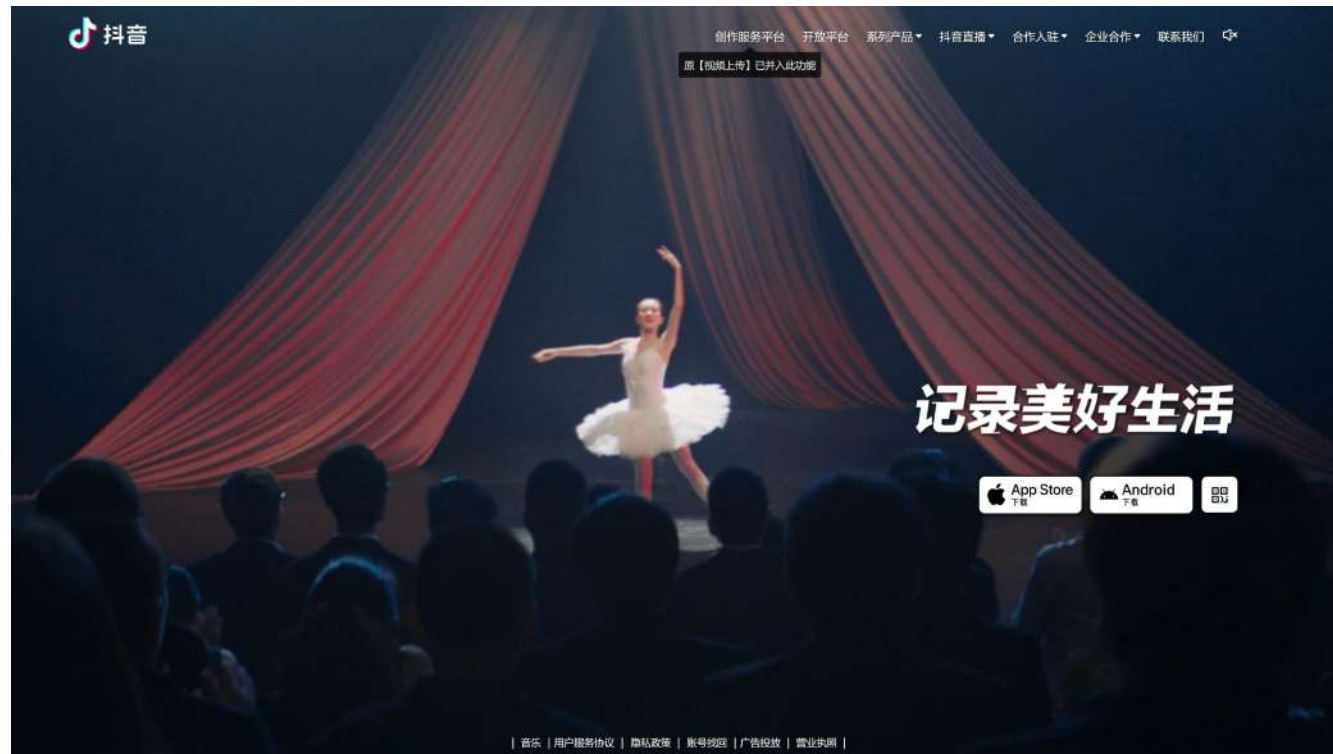




DOUYIN LIVE

AN INTRODUCTION

Douyin Live mainly focuses on beauty related content but has gradually become a platform for building brand awareness. This makes it a suitable platform for product seeding. It also comes with e-commerce integration, allowing users to directly access the brand's Taobao or JD store through the livestream.

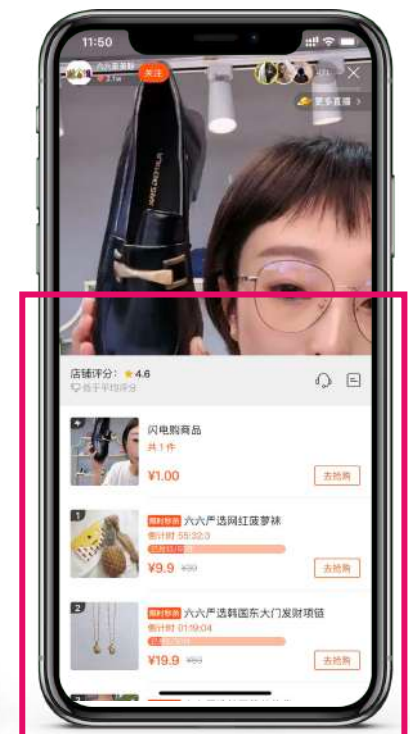




KUAISHOU LIVE

AN INTRODUCTION

Kuaishou Live focuses on authenticity and is better known for videos that showcase the everyday lives of its users. As a result, content feels more “real” and raw compared to other live streaming platforms and KOLs tend to focus on local communities. Products can be embedded in the livestreaming session but can only be purchased on the Kuaishou store.

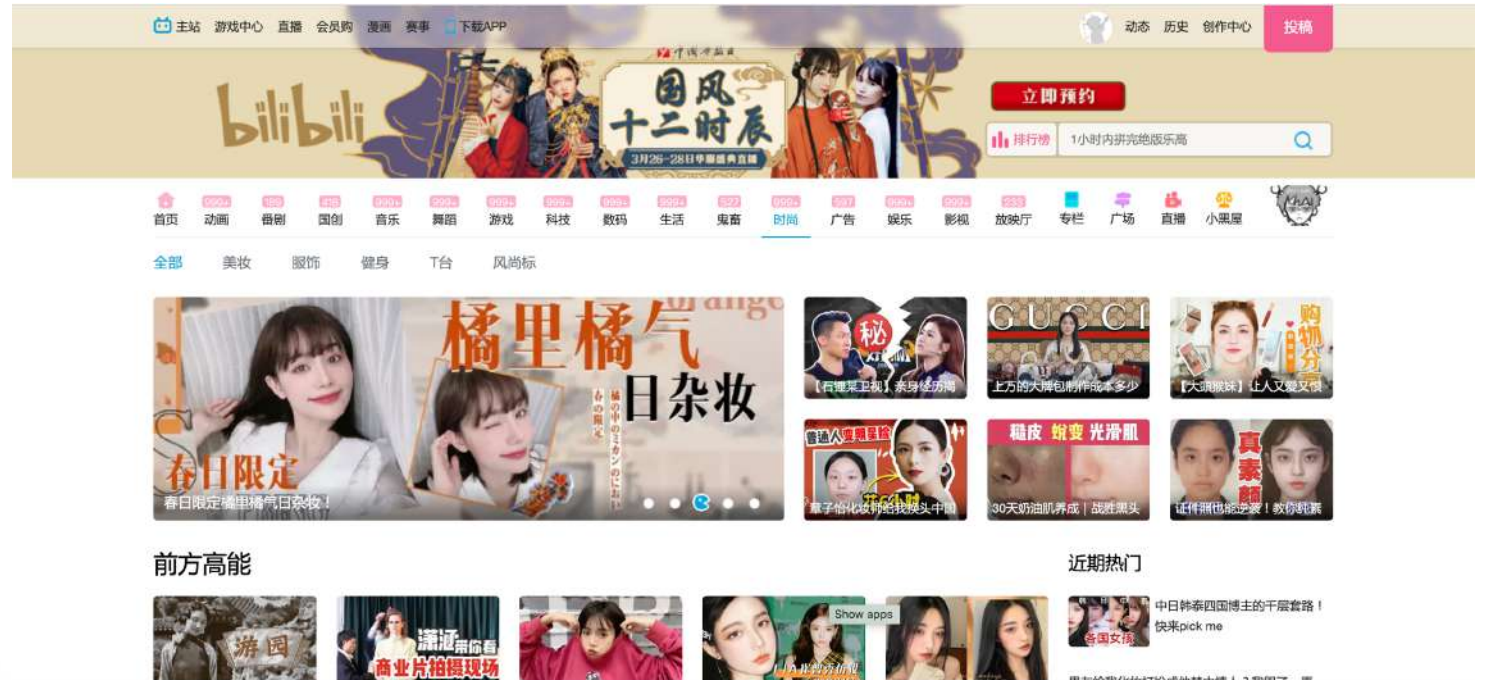




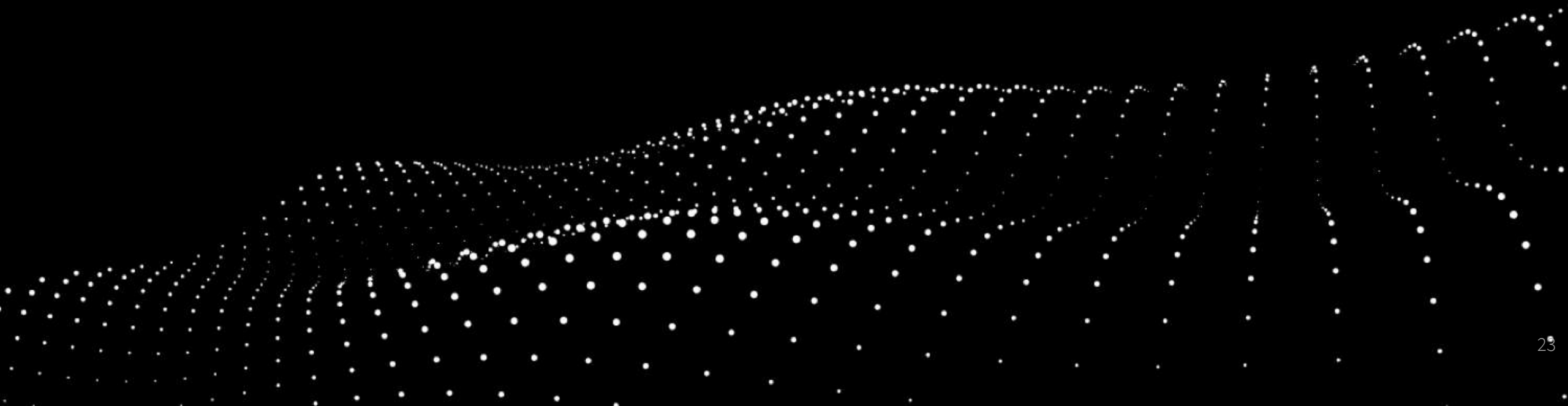
BILIBILI LIVE

AN INTRODUCTION

Bilibili Live is positioned more as a game and entertainment broadcast platform. Users are mainly Gen Z-ers. Having started out with an anime, comics and games (ACG) fanbase, Bilibili is now expanding its content categories to include everything from finance to education as well. No e-commerce integration is available at the moment.



3. E-COMMERCE



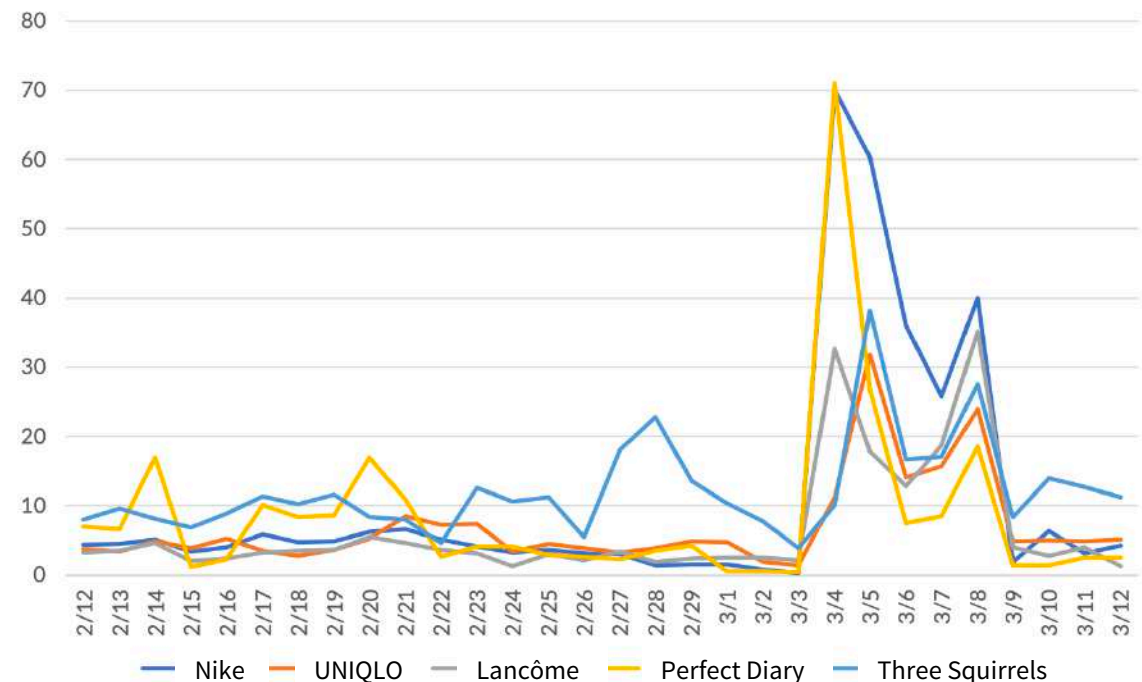
THE CHINA LANDSCAPE TODAY

E-COMMERCE PICKING UP

As fears of contagion continue to swirl, Chinese consumers opt to spend most of their time indoors and making use of delivery and courier services to procure daily necessities. While many courier companies chose to halt operations during the Chinese New Year period when COVID-19 first began its rampant domestic spread, China's **SF Express** continued to operate and posted a **14.4 per cent – or 11.6 billion yuan (US\$1.6 billion) – revenue increase**.

While consumers might have opted to spend only on everyday essentials at the start of the crisis, we are seeing **uplifts in spending on non-essentials in March**. This was boosted in part by the **International Women's Day** shopping festival (3.8 女王节) hosted on Tmall over the first week of March.

**Sales on Tmall Flagship Stores (in million RMB)
12 February 2020 – 12 March 2020**



Source: qingbaomofang.com, WalktheChat Analysis

OVERVIEW OF E-COMMERCE PLATFORMS

	WeChat Pop-up Store	WeChat Store	Tmall
Store Concept	Standalone Store	Standalone Store	Marketplace
Presence type	One-off/ Temporary	Permanent presence	Permanent presence
Costs	Light development and light logistics	Heavy development and heavy logistics	Heavy development, heavy logistics and marketing
Additional Fees	WeChat commission (0.6%) Third-Party Store Operator commission (1% - 10%)	WeChat commission (0.6%) Third-Party Store Operator commission (1% - 10%)	Tmall commission (2 - 5%) Tmall Partner + 3PL commission (10% - 15%)
Logistics	Low requirement. Mostly shipping and handling	Medium. Additional requirement for customer service, warehousing, shipping, and packaging at scale	Heavy. High standards imposed by Tmall, requires outsourcing to Tmall Partner and third-party logistics
Inventory	Limited SKUs	Unlimited SKUs	Unlimited SKUs
Integration	Not required	Required for order management system (OMS), warehousing management system (WMS), enterprise resource planning (ERP) and customer relationship management (CRM)	Required for order management system (OMS), warehousing management system (WMS), enterprise resource planning (ERP) and customer relationship management (CRM)
Operations	Operated by brand or third-party	Operated by brand or third-party	Operated by Tmall Partner
Application Process	None	None	Requires approval from Tmall
Target Audience	Campaign-based TA	WeChat marketing TA Existing clients and prospects	Broader luxury consumers, through both organic and paid reach
Data	Full ownership, but with limited data collection points	Full ownership, with extended data collection points	Partial ownership, with extensive data collection points. However, extraction of data is complex and not always possible
Verdict	Suitable for brands that are looking to sell a limited number of SKUs over a limited period of time. Objective of the store is not just revenue generation but also community building.	Suitable for brands with strong existing WeChat audience or existing database of clients and prospects, as there are limited ways to promote the store long-term.	Suitable for brands with strong brand equity and consumer purchase intention to cover the cost of operating and promoting a Tmall store.



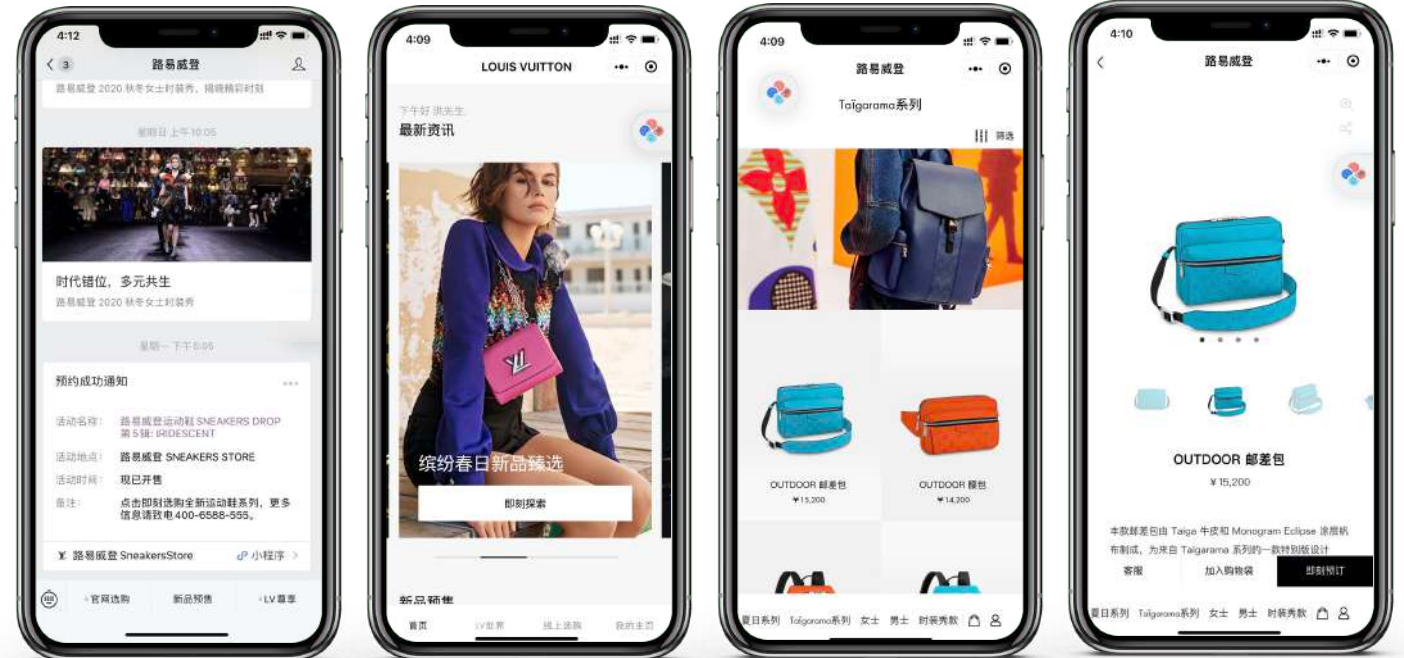
WECHAT STORE

POP-UP/ TEMPORARY

WeChat pop-up stores are currently the most efficient and convenient platform for **limited-time sales, product drops and exclusive releases.**

- ✓ Integration with WeChat Pay* makes the shopping experience convenient for consumers
- ✓ Mini Program plug-and-play functionality also makes the products and store easily shareable with others
- ✓ Usually limited number of SKUs available over a limited period of time
- ✓ Limited back-end integration required

LOUIS VUITTON'S WECHAT POP-UP STORE



Pop-up Store Launch Notification on WeChat

Homepage Focusing on a Single Collection

Product List, Limited Inventory

Product Details, Fast Checkout

Note*: WeChat Pay only supports up to 10,000 RMB in a single transaction daily. Items priced above that amount would have to be paid in instalments, or via bank transfer.



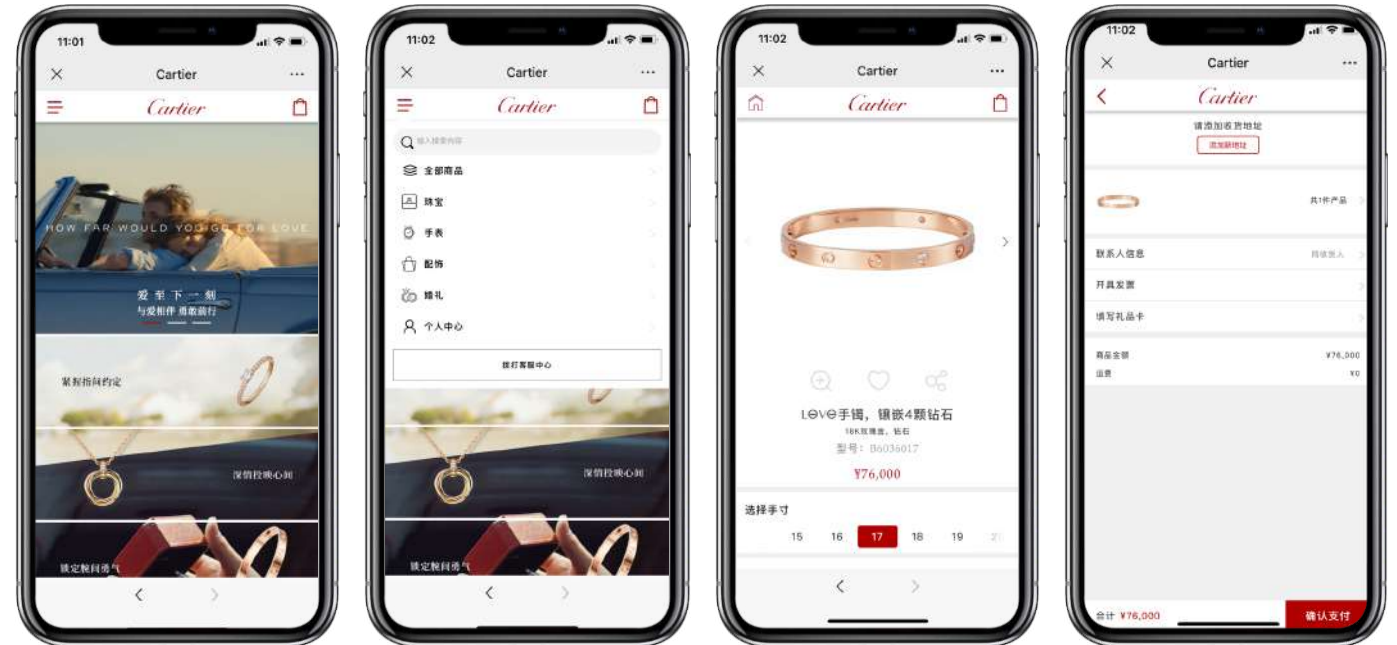
WECHAT STORE

PERMANENT

Suitable for brands with a **strong and existing WeChat follower base** as the closed nature of WeChat makes it **difficult for the store to be promoted outside of the ecosystem**.

- ✓ Integration with WeChat Pay* makes the shopping experience convenient for consumers
- ✓ Ability to list an extensive number of SKUs with advanced browsing and search capabilities
- ✓ Full back-end integration required (OMS, WMS, ERP, CRM)

CARTIER'S WECHAT STORE



Homepage

Store Navigation

Product Details

Checkout Page

Note*: WeChat Pay only supports up to 10,000 RMB in a single transaction daily. Items priced above that amount would have to be paid in instalments, or via bank transfer.

TMALL FLAGSHIP STORE

PERMANENT

Suitable for brands with **strong brand equity** and **consumer purchase intentions**, as operations and promoting a Tmall store requires a **significant investment**.

- ✓ Support from Tmall Partner (TP) required
- ✓ Open platform that is accessible from most digital channels in China
- ✓ Product listings are far more detailed
- ✓ Strong marketing capabilities to promote the brand and the store within the platform
- ✓ Integration with Alipay* makes shopping experience convenient for consumers

VALENTINO'S TMALL STORE



Homepage



Store Navigation



Highly Detailed Product Listing



Integrated Customer Service

Note*: Tmall supports payments made via Alipay only.

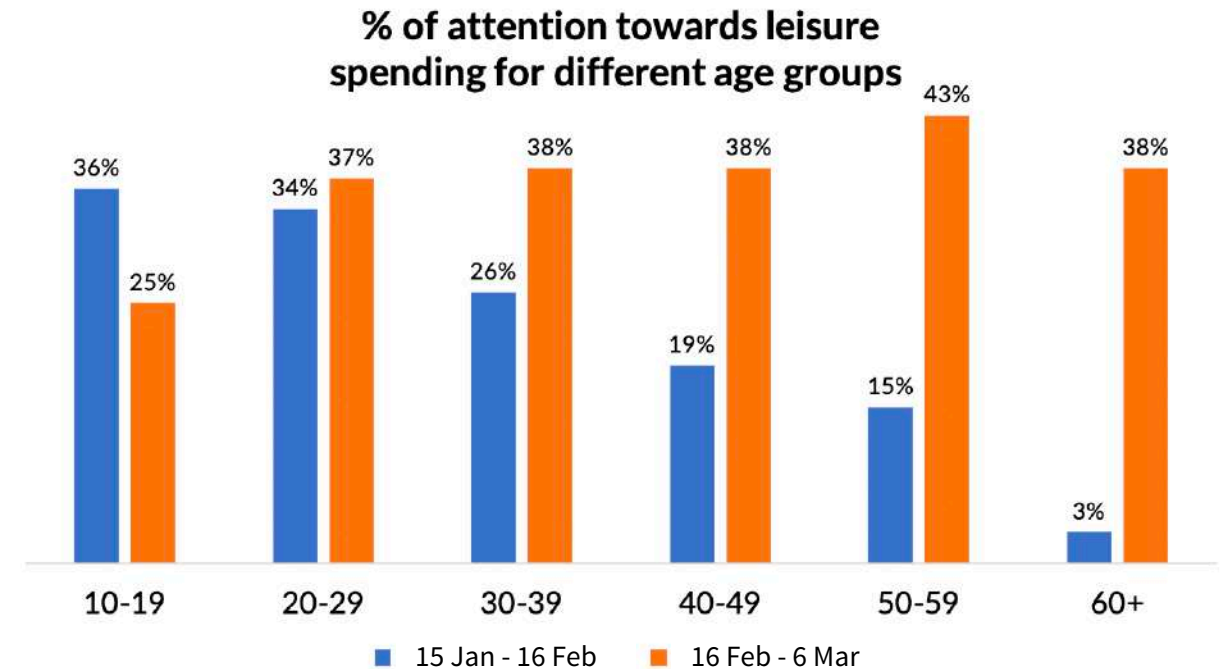
4. CLIENTELING AND LOYALTY

THE CHINA LANDSCAPE TODAY

GROWING PURCHASE INTENTIONS

While Chinese consumers were more concerned about health and safety at the start of the crisis, studies have shown a **shift in perspective** over the last few weeks as the situation continues to stabilise in China.

For the period between 16 February 2020 to 6 March 2020, an upward trend in consumer intention to spend on leisure items was detected **across different age groups**. As offline foot traffic in malls has yet to bounce back, brands should capitalise on this and capture these **interest and purchase intentions** with the aid of **clienteling** and **CRM solutions**.



Source: Coronavirus China Trends and Observations, Publicis Media China

WHAT IS WECHAT WORK?

AN INTRODUCTION

WeChat Work is Tencent's enterprise solution which leverages on the popularity of WeChat to connect individually with clients through official brand representatives.

MAIN BENEFITS OF WECHAT WORK

- ✓ Brand ownership of contacts
- ✓ Official sales force on WeChat Work
- ✓ Data stored on own database
- ✓ Control and governance of assets shared by sales force on WeChat Work



WECHAT



WECHAT WORK

OWNER OF CONTACT

Contact is owned by Sales Associate (SA)

Contact is owned by the brand and assigned to SAs

CERTIFIED BRAND EMPLOYEE

No official brand verification

Contact verified as brand employee

CONTACT ENRICHMENT

Contact tags and remarks kept on SA's personal WeChat

Contact data saved on brand's WeChat Work database

ASSET LIBRARY

No assets officially available

Brand approved assets available on WeChat Work library

WHAT IS WECHAT WORK?

AN INTRODUCTION

Same Onboarding Process as connecting with a friend on WeChat

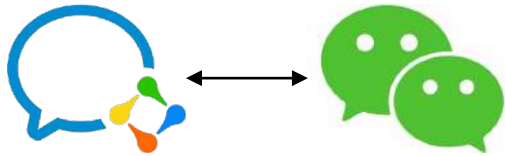


SA communicates with the customer using WeChat Work
Customer is marked with @WeChat

Customers communicate with the SA using WeChat
Contact is marked with @Brand

WECHAT WORK

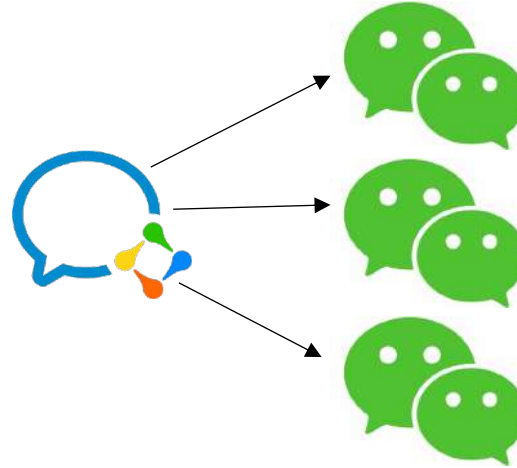
OUT OF THE BOX COMMUNICATION



1-ON-1 COMMUNICATION

SA identified as official brand representative on WeChat

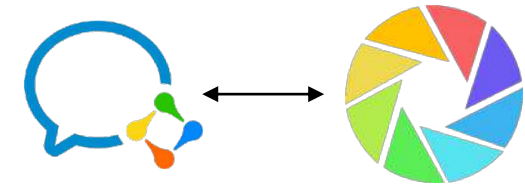
Unlimited communication with customer



BROADCAST

SA can send a broadcast message (Text + Image)

Each customer can receive 1 broadcast message per day



WECHAT MOMENTS

SA can post directly on the Moments feed of a client through WeChat Work

WECHAT WORK

SOCIAL CRM BENEFITS

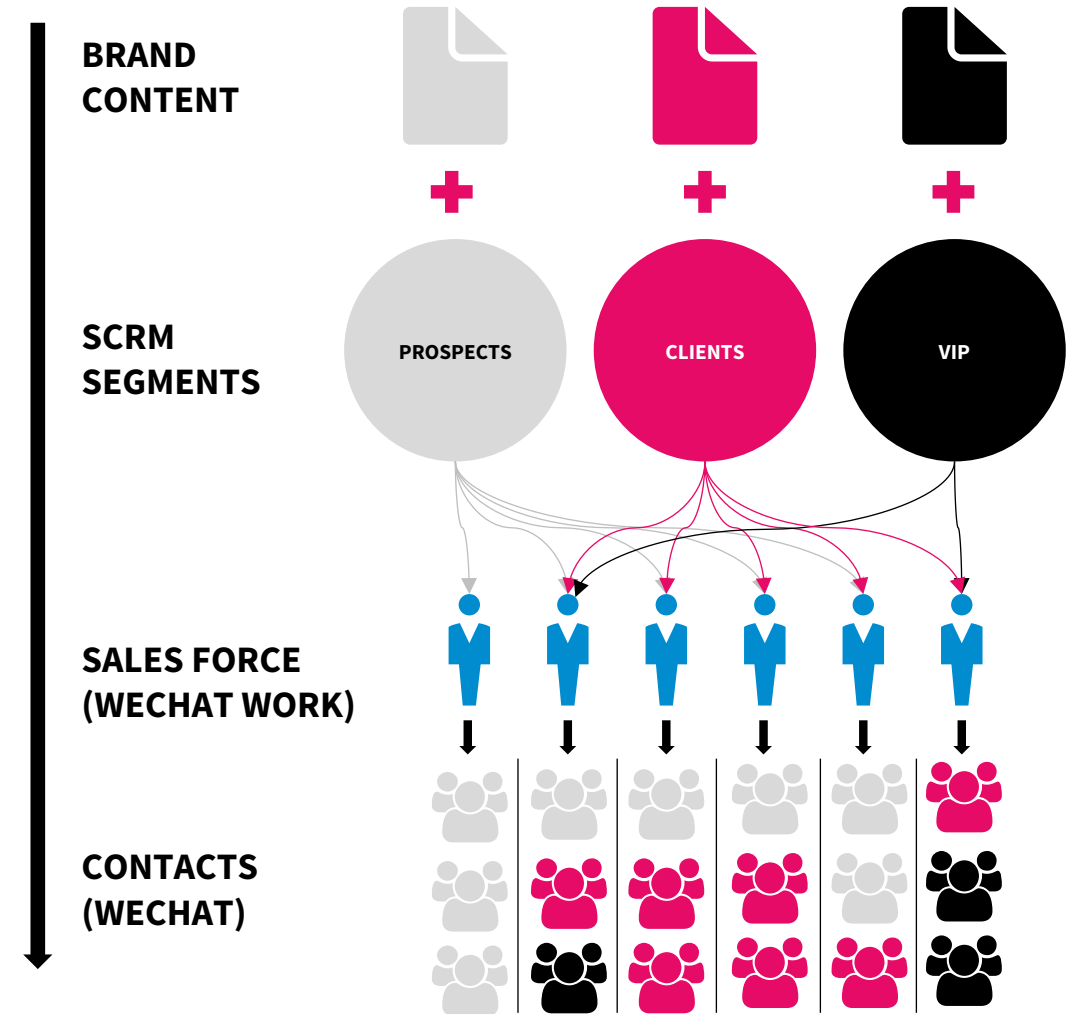
Integrating your WeChat Work with a SCRM backend will offer two key benefits:

ENHANCED SALES FORCE MANAGEMENT

- ✓ Creation of automated alerts for sales force based on data of their assigned contacts
- ✓ Facilitation of top-down asset availability based on both sales associates' and contacts' data

HOLISTIC UNDERSTANDING OF CONTACTS

- ✓ Enrich contact profiles with data available in SCRM – this data could be behavioral or transactional



LOYALTY PROGRAMME

WECHAT MINI PROGRAM

COVID-19 has **reduced the number of touchpoints** through which brands can interact with the customer. This, in turn, **increases the cost of acquiring a new customer**, making a brand's **existing database** more valuable than ever.

Creating a Loyalty Program on WeChat can help to not only **convert existing customers**, but to also make **customers out of followers or prospects**.



CONVENIENCE



EXCLUSIVITY



RECOGNITION

LOYALTY PRINCIPLES

COACH'S WECHAT LOYALTY PROGRAMME



Member's Homepage

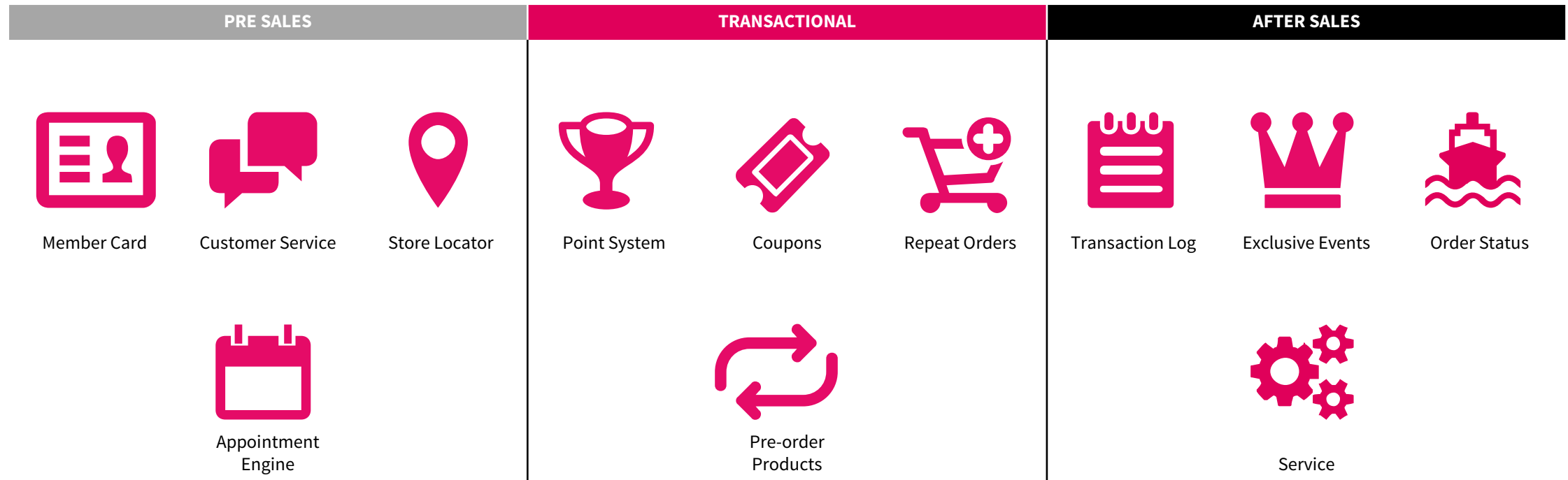


Dedicated Chat with SA

LOYALTY PROGRAMME

SUPPORTING FEATURES

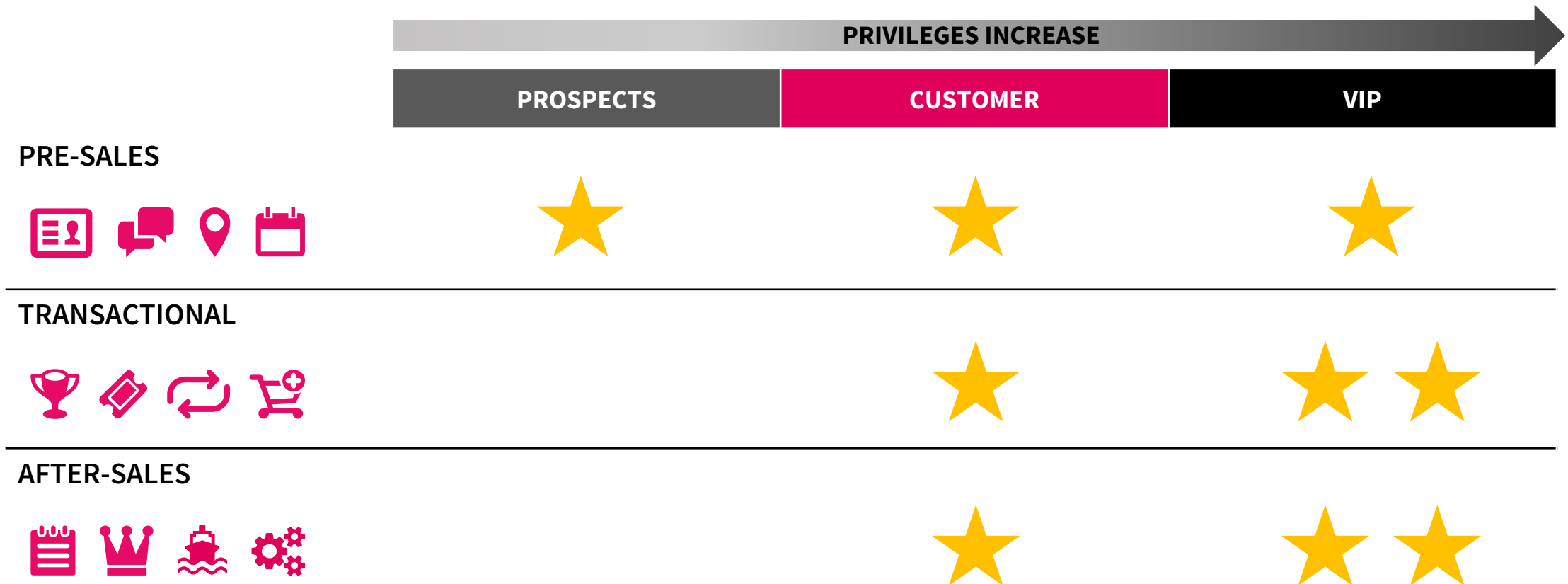
Brands should arm these loyalty programmes with **features that support the follower/ member through the different stages of the buyer journey**



LOYALTY PROGRAMME

MEMBER TIERING STRUCTURE

Different **features and benefits** should be extended based on a member's tier



DL
G.**INTERESTED IN LEARNING MORE?**

Get in touch with us for more digital insights and strategies for your brand in China.

PABLO MAURON

Partner & Managing Director China

pmauron@digital-luxury.com

DLG (Digital Luxury Group) is the digital partner of forward-thinking luxury brands. With offices in New York, Geneva and Shanghai, DLG blends luxury savoir-faire, industry insights, and digital expertise to provide end-to-end services ranging from digital marketing and communication, to e-commerce and CRM.

