

R-VUE CONNECT

CHINA'S DIGITAL RESURGENCE

Retail in a post-COVID world



What is R-Vue Connect?

R-Vue Connect is Vue.ai's first EVER educational digital summit! At Vue.ai, we've been speaking to retailers across the globe who've been impacted by the COVID crisis and on hearing their stories and perspectives, we believed that there was a need for a common, informative and interactive platform for all retailers to learn, share lessons and prepare themselves for what we're essentially calling the "post-COVID" world.

With R-Vue Connect, we have facilitated interactive conversations around relevant topics like the state of the market, retail productivity, equipping your team with the right toolkits, the way forward and more.

At its core, R-Vue Connect isn't just about helping our community stay informed, but also about building a dependable community of retailers and experts that we all can share with and learn from.

Speakers at R-Vue Connect

R-Vue Connect gave our community access to the best minds in the retail industry and enabled teams across the globe to interact, learn, and participate in actionable conversations. Our sessions not only discussed the impact of COVID-19 on retail but also the impact that technology, and especially A.I. could have on retail. We also equipped teams with step-by-step guides to help them integrate A.I. into retail value chains with minimal effort and high ROI.

Here's a look at the brands that participated in the first edition of R-Vue Connect:



R-Vue Connect: Edition 1

Track	Session	Speakers
Ushering In Offline to Online Transformation	How Virtual Models will change fashion	Julia Kaplan Dietmar - CPO, Vue.ai Bhavani Tirumurti - Director of Product, Vue.ai
Lessons from Industry Experts	Zilingo Talks - Manufacturing and Supply Chain Lessons for the Retail Industry from Covid-19	Ankiti Bose - CEO, Zilingo
Getting your Teams Ready for an A.I. World	Why Product Data Needs To Go Digital	Angie Flynn Wright - VP, Customer Success, Vue.ai Swarna Rethas - Head, Solution Engineering, Vue.ai
Ushering In Offline to Online Transformation	#DepopTalks: What Matters Most To The Marketplaces Of The Future	Remo Gettini - CTO, Depop Julia Kaplan Dietmar - CPO, Vue.ai
Ushering In Offline to Online Transformation	THE CHINA STORY: What retail can learn from China's post-COVID Digital Resurgence	Klaus Wang - Vice President, Sequoia Capital
Getting your Teams Ready for an A.I. World	Hyphen-Group Talks: The Role of Digital Product Identity in Fashion Digital Transformation	Marco Milioli - CMO, Hyphen-Group Alessio Saraceno - COO, Hyphen-Group

China's current retail environment

It's tough being a retailer right now. The Covid-19 crisis has had a profound impact on retail and e-commerce globally with consequences that will last and will drive long term changes. Retailers are having to radically restructure their operating models to survive. This global threat is forcing us all to adapt. However, retail experts suggest that China could potentially be on the road to recovery. Here are some macro trends and patterns that have emerged.

- 1 **80-90% of manufacturing** in China is back to business as usual
- 2 The **new wave of consumer behaviour** is led by key opinion leaders and influencers
- 3 **Consumption** is slowly becoming **more 'local'** with millennials investing in made-in-china brands
- 4 Brands that are **investing in digitisation and social media** marketing have **higher chances of survival** post-covid

The 4 Pillars of Future Consumption



Several **domestic new generation brands** have been created to **satisfy the Gen-Z and millennial consumers' needs**. There have been a lot of innovations in the online-to-offline space with tech-enabled strategy to provide value for many products.



Klaus Wang, VP,
Sequoia Capital

- 1 **75% of the gross disposable income** will come from middle class, upper-middle class and the affluent communities
- 2 **Millennials' consumption power** will heavily contribute to China's growth
- 3 The seamless **merging of online and offline retail formats**
- 4 Chinese retailers are developing a **'service mindset'** over a selling mindset

China's Disposable Income Growth

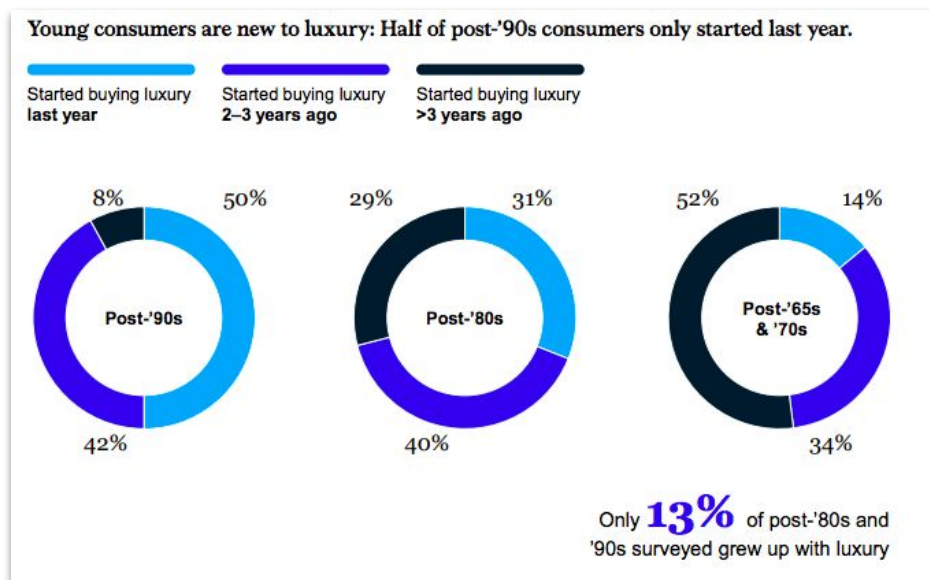


China's affluent class will grow from 3% of the population to 15% percent of the population. This community is the key driver of luxury, entertainment, healthcare and other segments across consumer retail.

The emerging middle class population will account for 75% of the 2030 population and they will be responsible for the consumption upgrade. Many recent new generation brands and products are mainly catering to this segment of consumers.

By 2025, the Chinese are forecast to account for 46 per cent of all personal luxury goods purchases — more than Americans, Europeans, SE Asians and the Japanese combined. If Chinese tourists are taken out of the equation, **luxury sales growth will be relatively flat in the world's other major economies.**

Millennial's Consumption Power



SOURCE: The McKinsey China Luxury Report 2019

The second driver of growth is millennials. They have global vision, higher willingness to spend and they trust key opinion leaders. That's why the recent influencer-driven economy is hurting China. They will also be the consumer segment that invests the most in local and emerging chinese brands.

The real, organic consumers

At the recently held BoF Voices event, Vogue China's editor-in-chief Angelica Cheung told BoF founder and CEO Imran Amed, "**The millennials**, I would describe them as **the real consumers, the organic consumers**. They consume for the sake of consuming. And they just love things, they want to buy. It's not for any purpose. In general, **these are not consumers that are easily influenced by preaching to them**", she says of the chinese millennial, who has always been hard to please.

Merging Offline-to-online



The third pillar for growth is **the merging of offline and online retail formats**. The restrictions around Covid-19 have given chinese retailers plenty of benefits. Shoppers are stuck at home and they need to order essential items like fresh produce and groceries online. Experts and investors believe **that this momentum will be maintained** even after Covid-19 because **consumers have already formed habits** around ordering these items online at their convenience. **Young Chinese consumers are more likely to shop from brands where personalization, add-on experiences and convenience is offered.**

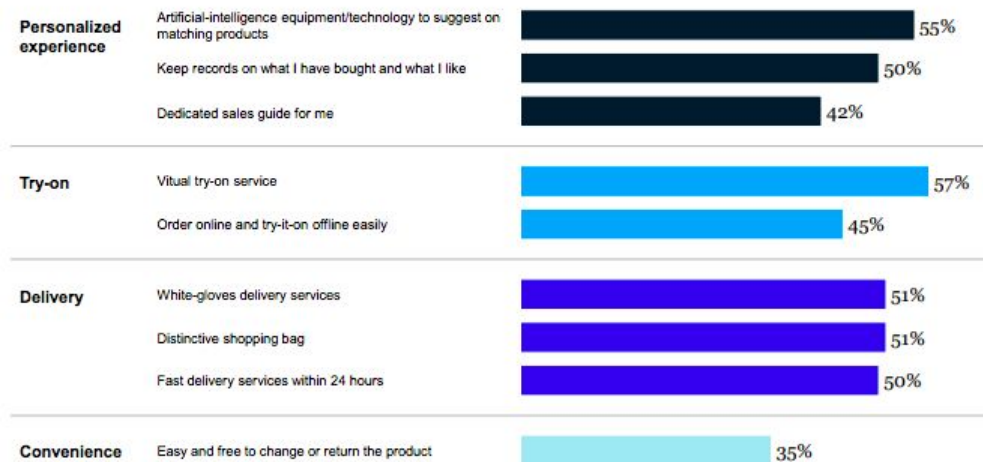
Merging Offline-to-online

Irrespective of offline or online channels, **personalization matters.**

For online purchases, consumers are demanding superior experiences through personalization, easy try-on, and premium delivery service.

Would this factor increase your likelihood of purchasing online?

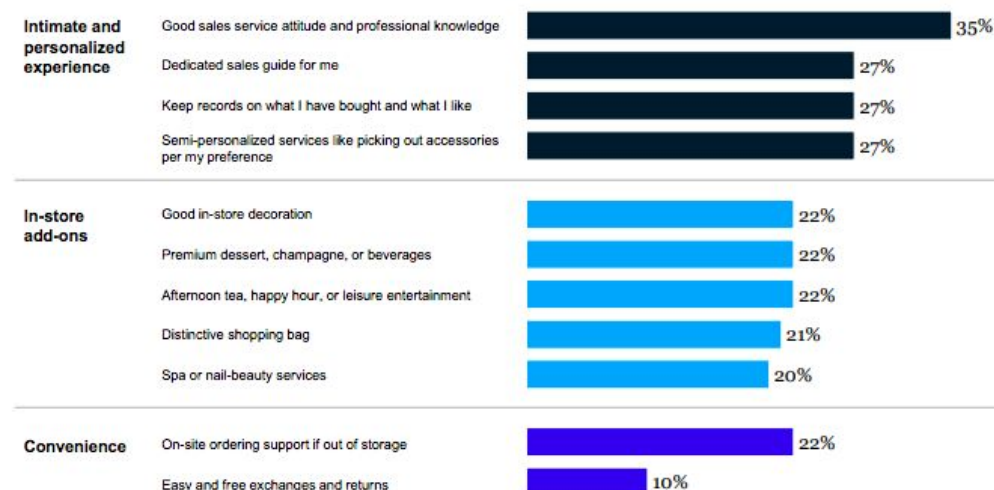
% of post-'80s and post-'90s respondents saying "yes"



Young consumers are more likely to make a purchase if great personalization service is offered.

Would this factor help you make a purchase at a store offline?

% of post-'80s and post-'90s respondents saying "yes"



SOURCE: The McKinsey China Luxury Report 2019

Service Mindset over Selling Mindset



Consumers are far more drawn to services over products. **Products on their own are usually for fundamental or staple usage**, but a service on top of that can really draw a shopper's attention. **We expect services to outgrow products.** There's a lot of innovation in newer retail experiences.. Even traditional shopping spaces like malls now have multiple service elements.

Klaus Wang,
VP - Sequoia Capital

The Chinese Resurgence has become **a playbook for global retailers** as they cope with the effects of Covid-19

1

This crisis actually **presents an opportunity for retailers to really look into technologies** that can give consumers a richer experience online.

2

Luxury brands, in the wake of all the cancelled fashion shows **are actively looking at virtual reality and augmented reality.**

3

There is a **significant rise in virtual showrooms** and adoption of shoppable videos to **engage consumers.** The important goal is present products in an engaging way on e-commerce sites and get customers to be intrigued by them.

Key Takeaways

Digitisation is not an option anymore

Retailers are looking at innovative ways to engage with consumers and part of that is being able to adapt to formats that are convenient to them. As a large chunk of Chinese shoppers go online, brands need to invest in digital escalation to keep up with shopping patterns of their consumer. **"If you are not embracing technology, you're likely to be eradicated from this market for sure. Businesses that aren't using data to track the NPS of their customers, analyze their behaviors, trends and preferences don't stand a chance"**, said Klaus Wang, VP of Sequoia Capital at R-Vue Connect's first edition.

Social Media Marketing is a major investment

Millennials, Gen-Z and Gen-Y are slowly on **emerging platforms like Bilibili, Little Red Book in China, making them the most frequently opened apps currently** for this customer segment. **WeChat is one of the most prominent tools for marketing to the new generation of shoppers. The new wave of consumer behavior is led by Key Opinion Leaders, or what you'd call influencers.** They lead the wave around product purchase, popularity of brands, how to select brands and how to buy items through different. **Content creation through blogs, videos and other social channels is the most powerful way for retailers and brands to influence this segment** of shoppers. In fact, some opinion leaders have higher engagement than Chinese celebrities.

The Future of Chinese Retail? D2C brands!

"We will definitely see more consumer brands emerging in the next 5-10 years. So for the current big international players, **they need to get ahead of their manufacturer's design power, they need to reinvest in their R&D center, they have to reinvest in their new products pipeline. Without that, they will be lose to the local Chinese players.** If I'm the owner of ADM (Additive Manufacturing), I can definitely start my brand because I own the technology, I know how to design and I know how to manufacture", said Klaus Wang, VP of Sequoia Capital at R-Vue Connect.

Watch out for our next R-Vue Connect Reports on:

1. Transitioning From Offline To Online
2. Equipping your Teams with A.I. Toolkits

Questions?

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