

# trilogi

## **WHY RETAILERS FAIL IN CHINA?**

### **Focus on Digital**

[www.tlgcommerce.com](http://www.tlgcommerce.com)

a  TLG COMMERCE company



# trilogi

the eCommerce agency

We are an eCommerce Consulting firm specialized in designing and implementing eCommerce platforms as well as delivering eCommerce marketing services for medium to large companies across Europe and Asia Pacific, with offices in Barcelona, Hong Kong, Madrid and Shanghai.

Since 1999, TLG Commerce delivers fast time to market online stores and quality services to cover each and every step of your growth:

**Strategy + Technology + Marketing.**

STRATEGY » ACTION » GROWTH

# over 670 customers chose us

trilogi

Automotive / Fashion / Shoes / Sports / Professional / Pharma & Cosmetics / Furniture & Outdoor / Food & Beverage / Others



BORIS BIDJAN SABERI



NAF NAF



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CARMINA



sita murt/



SUREKANA



TEA & SHOP



POINT.

TRUSSARDI



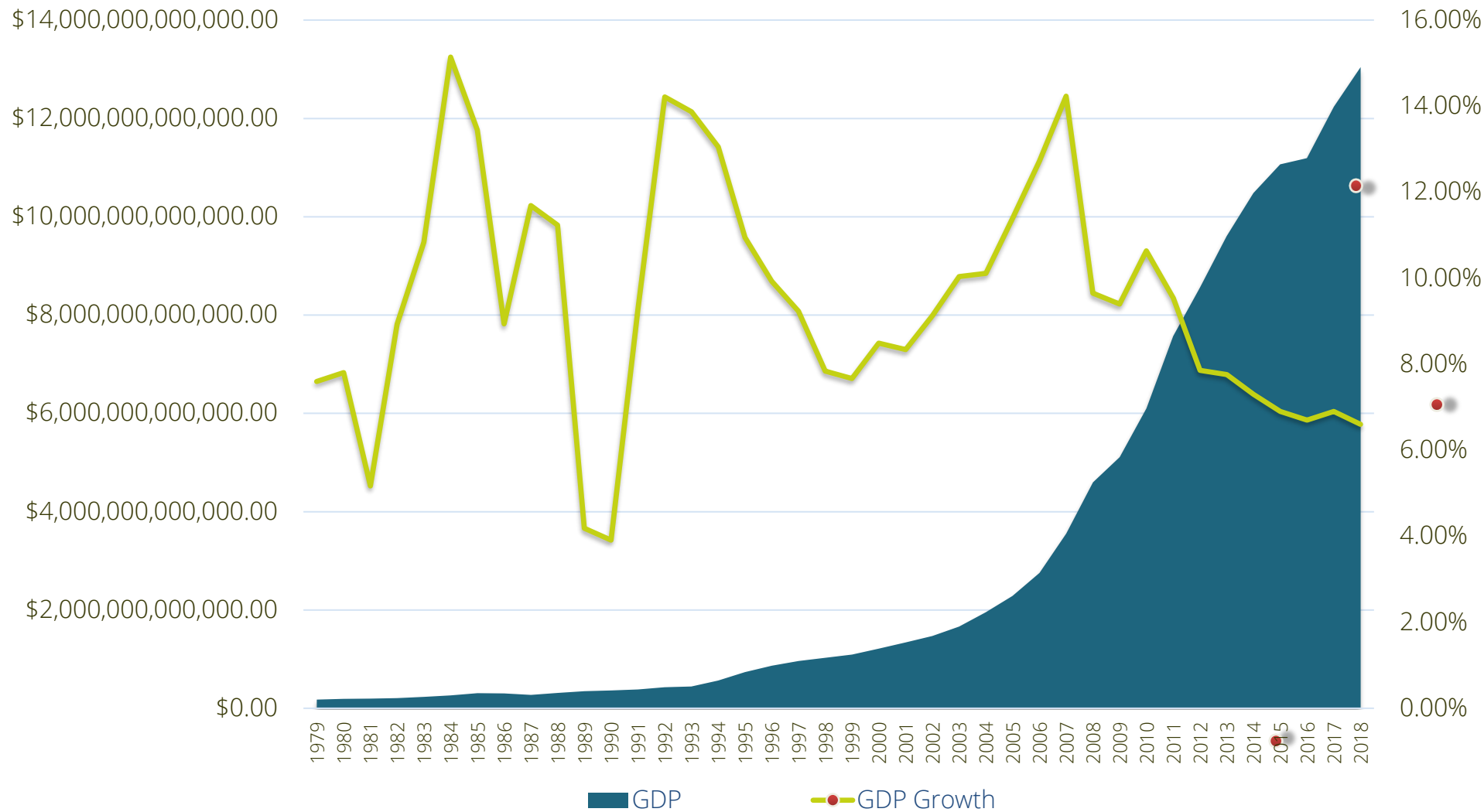
**WITHIN THE FOUR CORNERS  
OF ITS COUNTRY  
CHINA IS A WORLD IN ITSELF.**

*Gao Zhikai, former interpreter of Deng Xiao Ping.*



# THE CHINA DREAM

## The Economic Miracle Attracted Foreign Investments



Number of foreign funded companies registered in China

**1979** ~ **100**

**1998** **280,000+**

**2004** **504,000+**

**2018** **950,000+**

Total investment

**\$ 2.1+ trillion**

# BUT SOMEBODY FAILED

Not Every Company Was Made to Thrive in China

FOREVER 21

Carrefour 

家乐福

Auchan.cn  
— 欧尚 —

亚马逊  
amazon.cn

Uber

MARKS &  
SPENCER

★ macy's

ASOS  
discover fashion online

Media Markt

ebay 趣易

SONY

NEW LOOK  
LONDON

暮らしになじむ  
LOHACO  
展



LOTTE Corporation

# FOREVER 21

Another One Bites the Dust

# FOREVER 21

2008 → 2009

2011 → 2019

Low prices

High operating costs (huge offline stores)

Competition



# CARREFOUR

French Chain Has Struggled as Chinese Shoppers Go Online



**80%**

of stakes

**4.8 billion ¥**

**\$698 million**

The sale values Carrefour China's unit below industry average:

0.2 times its 2018 sales (industry average 0.8)



# AMAZON.CN

## The Tech Giant Closes Its China Domestic Marketplace Business



2004

Entry by acquisition of Joyo

2011-12

Over 15% market shares

2019

Less than 1% market shares

Defeated by the usual suspects:



However, they will keep 3 lines of business:



# ONE THING IN COMMON

Digital is the Key to Succeed in China

They all lost against a more digitally-ready (often domestic) companies:

FOREVER 21



淘宝网  
Taobao.com

ZARA

Carrefour  
家乐福



苏宁易购  
suning.com

盒马

亚马逊  
amazon.cn



Alibaba Group

京东  
JD.COM

# DIGITAL CHALLENGES

**1** CHOOSE THE RIGHT DIGITAL PLATFORMS

**2** CREATE A UNIQUE ECOMMERCE EXPERIENCE

**3** EFFICIENT OPERATIONS

# DIGITAL PLATFORMS

## Mainstream eCommerce Marketplaces

淘宝网  
Taobao.com

天猫  
TMALL.COM

JD.COM 京东  
多·快·好·省



拼多多

全球购  
G.TAOBAO.COM

天猫国际  
TMALL GLOBAL

海囤全球

### Pros

- ✓ High traffic
- ✓ Efficient/reliable mobile apps
- ✓ Shopping holidays
- ✓ Logistics management
- ✓ Low product costs for users
- ✓ Casual shopping

### Cons

- ✓ High setup and maintenance costs
- ✓ Counterfeit products
- ✓ Gaining visibility & traffic
- ✓ Limited data
- ✓ Customer experience
- ✓ Low retention/loyalty

# DIGITAL PLATFORMS

## Vertical eCommerce Marketplaces



### Pros

- ✓ Relatively high traffic
- ✓ Efficient/reliable mobile apps
- ✓ Logistics management
- ✓ Casual shopping
- ✓ Minimum effort to manage

### Cons

- ✓ High setup and maintenance costs
- ✓ Gaining visibility & traffic
- ✓ Limited data
- ✓ Customer experience
- ✓ Limited exclusivity

# DIGITAL PLATFORMS

## Social Media & Social Commerce



### Pros

- ✓ High traffic (but needs to be generated)
- ✓ KOLs
- ✓ User interaction
- ✓ Consumer segmentation
- ✓ Awareness & engagement
- ✓ Ads
- ✓ Higher Loyalty
- ✓ Data

### Cons

- ✓ Fake followers
- ✓ Gaining visibility & traffic
- ✓ Fast changing environment
- ✓ High marketing costs
- ✓ Communication mistakes

# DIGITAL PLATFORMS

## Brand Owned Website (& Mobile H5)

### Pros

- ✓ Cheaper than other solutions
- ✓ Full control of brand image
- ✓ Customized UX
- ✓ Exclusivity is assured
- ✓ Loyalty
- ✓ Customer data visibility
- ✓ Suitable for B2B

### Cons

- ✓ Lower traffic in China (higher mkt investment)
- ✓ Chinese consumers are mobile
- ✓ Logistics need to be self managed

# ECOMMERCE EXPERIENCE

## Target Customers

### Focus: MILLENNIALS

- 31% of Chinese population
- Trendsetters
- High purchasing power, less savings oriented
- Information rich - digital generation
- Looking for experiences over physical products
- Rely on reviews and influencers (KOLs)
- Value sustainability and care about the planet

MILLENNIAL: "a person reaching young adulthood in the early 21<sup>st</sup> century"  
The 1981 to 1996 birth cohort is a widely accepted definition for Millennials.





# ECOMMERCE EXPERIENCE

## Customized Digital Marketing

The main marketing channels are **SOCIAL MEDIA**

Each channel is different:

**“If content is king, context is GOD”**

*Gary Vaynerchuck*

Chinese customers are expecting custom marketing experiences and direct communication, so:

- Avoid western marketing strategies
- Localize entertainment/marketing style
- Respond quick to comments/queries
- Understand your customers
- How?



# DATA

# EFFICIENT OPERATIONS

## Integrate Online 2 Offline

Online and offline channels are no longer divided, an O2O strategy in China is fundamental. What to do?

- ✓ QR Codes on products and at the offline store
- ✓ Entertaining/KOLs events at the store, streamed online
- ✓ POS system – ERP/WMS – CRM integration
- ✓ GEO IP localization of the users when purchasing online
- ✓ E-vouchers and e-membership cards
- ✓ In-mall/store product collection
- ✓ Store locator
- ✓ Interactive screens at the store

## GOAL:

**Recognize the customer either if buying online or offline.**



# EFFICIENT OPERATIONS

## O2O Challenge 1

### Inventory synchronization

Knowing your inventory status is the core of an O2O business model.

In a traditional model, companies manage inventories (manually) by channel: this is a huge challenge, especially during peak seasons.

### Solution

Synchronize POS system and e-commerce platforms to an OMS/ERP to see all stocks in one place.

- ✓ **More automation**
- ✓ **Less human mistakes**
- ❖ **Need to invest**



# EFFICIENT OPERATIONS

## O2O Challenge 2

### Speed of Delivery

Not ensuring fast speed of delivery is a threat to customer satisfaction.

### Solution

Creating clear expectations for each channel, utilizing physical stores as fulfilment centres: they should serve as both pickup locations for online orders and fulfilment locations for deliveries (ship-from-store).

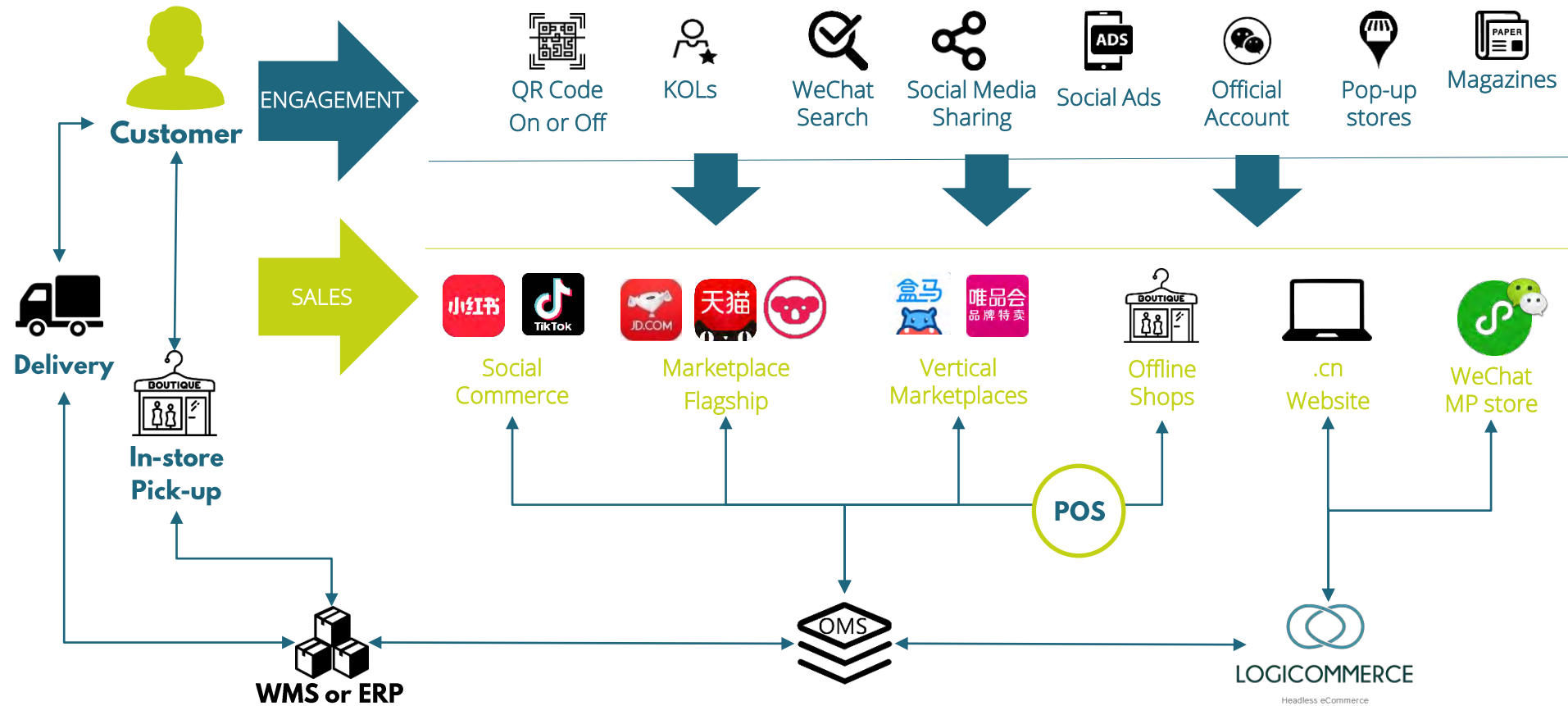


- ✓ **In-store pickup**
- ✓ **Ship from store**
- ❖ **Train store employees**
- ❖ **Manage store space efficiently**

# EFFICIENT OPERATIONS

## Setup an Omni-channel

O2O e-commerce aims at linking digital marketing and sales to offline store and logistics as a whole. A transformation to an Omni-channel business model is needed.



D-Mart is a Northern-China based chain of supermarkets, specialized in retailing a wide array of imported food from all over the world, such as frozen and canned food, cured meats and alcohol.

For D-Mart, TLG created a **multi-channel system** capable of not only recognizing the location of the purchaser, but also to redirect them to the channel of the closest physical shop for the invoice. After an eScope, TLG integrated their existing ERP to LogiCommerce in order to allow real-time synchronization with their warehouses. Finally, TLG recreated the Logo and defined the D-Mart's new official colors, while creating their website's new design.

#### Services:

- O2O multichannel system
- ERP integration
- Integrated WeChat store & mini program
- Auto-scalable Hosting

#### Strategy:

- eScope

#### Insights:

- 72% of online buyers use WeChat pay
- More 30k products
- Total order volume +13%





Carmina Shoemaker is a company started by Matías Pujadas in the year 1866, on the beautiful island of Mallorca. Six generations after, the company is stronger than ever, recognized as a leading high-quality, hand-made shoe company, and with stores in Barcelona, Palma de Mallorca, Saint Petersburg, Paris, Singapore and Madrid. It has also a strong following in America, Asia, Europe and Oceania.



<https://www.carminashoemaker.com/>



Following its growth and expansion, Carmina decided to enhance the online store and offer their clients a new powerful online configurator, to allow customers to design a personalized shoe model following a simple, straightforward process.

### eCommerce Services

- B2C Platform development
- Customization tool developed by TLG
  - It allows the users the possibility to select different options (models, materials, colors, buckles, toe, laces, etc.) and create a totally customized shoe, as well as offering the possibility of incorporating the initials in the sole and the full name on the lining.
- New design integration
- WeChat store

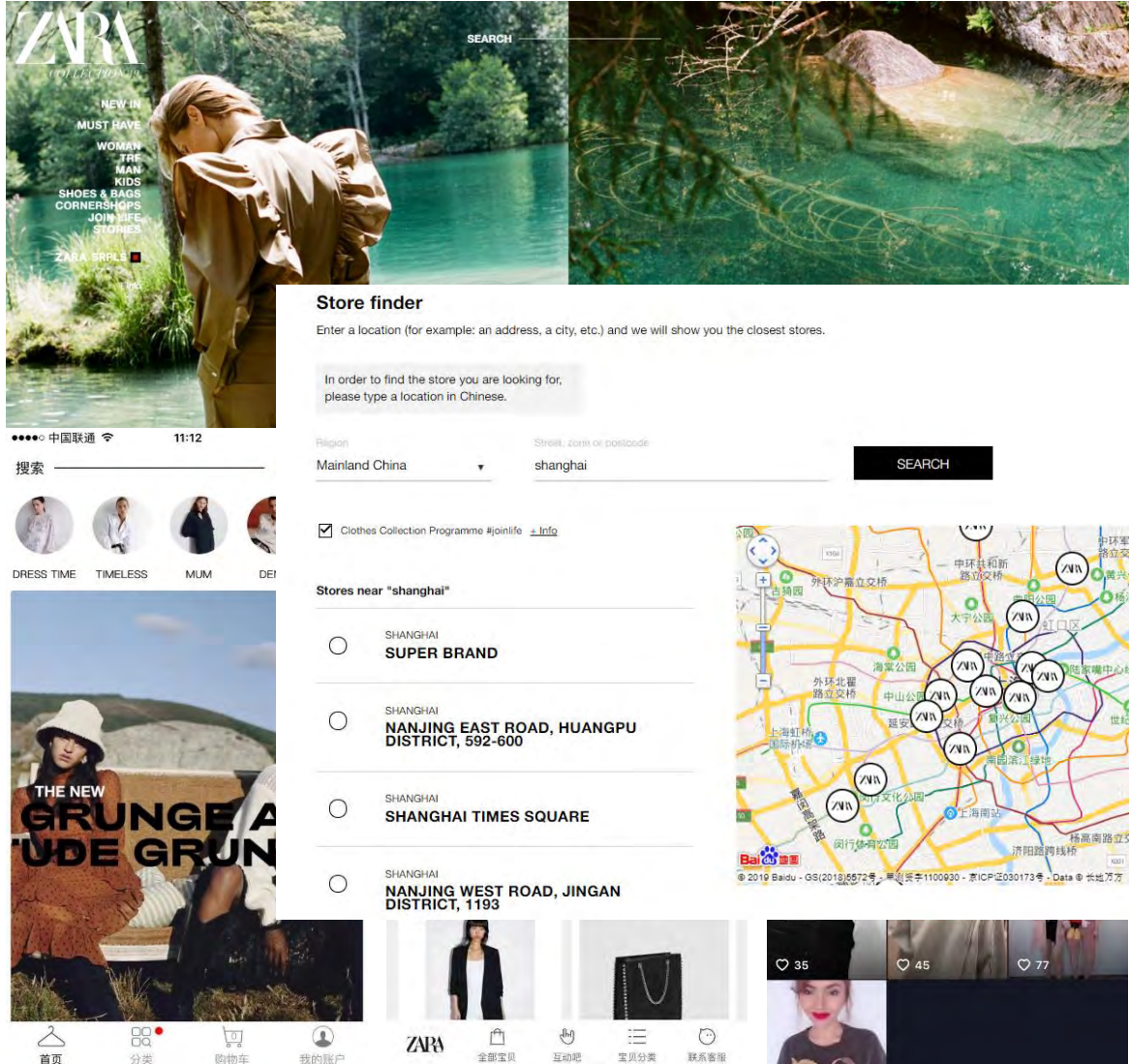
### WeChat Marketing

- Official account opening and verification
- Content strategy and publishing
- KOL/Influencers strategy

### Insights

- Revenue increased by 74.77%
- Transaction increased by 95.45%

Inditex's flagship brand Zara is one of the clearest examples of the omni-channel strategy and trend among worldwide retailers. This can be seen in China as well as overseas. In China they undertook the following strategy:



- Optimize their offline presence
  - By closing big stores in less profitable locations while opening new, smaller – and easier to manage – stores in key locations (i.e. Nanjing xi lu).
- Open as many digital channels as possible
  - WeChat, Weibo, Douyin, Tmall, brand-owned website...etc.
- Create good marketing content and communicate good values (i.e. care for the planet)
- Close the circle: connect everything with an omni-channel
  - Ultra-fast and free return service in key location (i.e. Shanghai)
  - Delivering and returning from and to actual stores
  - Store finder online
  - Interconnected digital management system



# TO WRAP UP

## Tips

### 1) STUDY THE MARKET WELL

It's very important to understand: 1) what competitors are doing 2) which channels are the best for the sector 3) target customers.

Ultimate goal: fully localize the offer.

### 2) INVEST WHAT'S NEEDED

It's a common misbelief that in China it's easy to make big profits with small investments, because "it's a huge market". It's quite the opposite: there's "minimum entry ticket" price that must be paid to succeed.

### 3) BE PATIENT

The breakeven won't happen in 3 months and the strategy needs to be adjusted quite a few times. But once the right tuning is reached, the earnings will be big.

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wechat



# your eCommerce partner



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