

DIGITAL CHINA

INNOVATION FACTORY

CHINA'S DIGITAL PLAYBOOK
FOR GLOBAL BRANDS



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RON WARDLE

INNOVATION FACTORY:

**CHINA'S DIGITAL
PLAYBOOK FOR
GLOBAL BRANDS**

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and Ron Wardle**

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Alarice (alarice.com.hk) is a China-focused digital marketing agency. Alarice executes consumer and market research to create China marketing strategies, it manages brand social media communities on WeChat, RED, Weibo and Douyin, it develops content, works with influencers, launches campaigns and more. With 12 years of successful experience in this rapidly evolving field, it has delivered outstanding results for global brands in a variety of industries, including FMCG, beauty, finance, luxury, tourism, education, wine and spirits, B2B and others.

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Ron has been featured in or presented at Forbes, Bloomberg, TechNode, Alibaba, The American Chamber of Commerce Shanghai, The Canadian Trade Commissioner Service, and Apple's Conference Board Series.

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Introduction

China played a key role for decades as the world's manufacturing center. It still plays a large role in global supply chains but it's also gone through some huge digital and societal transformations in recent years, particularly in terms of consumerism, social media and approaches to business and customer relationships that have made it more than just the "world's factory".

China's particular flavor of innovation and change has been affected by several factors, a key one being that it skipped several generations of early tech and banking tools.

In the 80s and 90s, credit cards were in mainstream use in the West and lots of people had early desktop computers at home but most people in China had never possessed a credit card and only a small portion of the population would have had access to desktop computers at work. Few would have

had them at home. Things started to change with laptops but it was the mobile phone that was a game changer and China was able to jump into the digital age with less baggage, do it at speed, and keep up the pace to get it where it is today.

This lack of baggage and some other unique characteristics greatly affected the country's tech giants as they evolved. It also affected how brands market themselves, the relationship between brands and customers, business models and leadership styles.

Interestingly, the tech giants that consolidated into large ecosystems during the past decades are now being regulated by the Chinese government into somewhat smaller separate units, but other trends, like the melding of social media and commerce, gallop along.

In this mini book, we'll take a look at digital transformation processes, systems, trends and examples that foreign brands can learn from and use as they enter the China market or adapt to improve their performance at home.

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We'll focus on three main areas in this book:

1) Customer-centric Ecosystems

Chinese companies are leading the way in terms of creating and running customer-centric tech ecosystems. These ecosystems are usually made up of a variety of internally incubated companies that integrate their tools to provide a wide range of products and services that offer their customers a comprehensive, seamless experience.

Chinese companies are leading the way and using a variety of different strategies to put the customer at the center of their business and drive growth.

2) The Future of Retail

We'll describe models and strategies for marketing, sales, and customer relationship management (CRM) used in China and how you can apply those techniques in other markets.

This includes new consumption brands created in collaboration with customers that are great examples of how Chinese companies are putting the customer at the center of their product development process. By collaborating with customers, companies can get valuable feedback

and insights that can help them create products that are truly meeting the needs of their target market.

We'll look at New Retail, social commerce, and seamless consumer journeys. Tech is helping companies to create more personalized and engaging shopping experiences for their customers. By providing a seamless journey across different channels, companies can make it easier for customers to find and buy the products they want.

We'll also look at private pools, key opinion leaders (KOLs), known as influencers in the West, key opinion consumers, (KOCs) who are consumers that play the role of influencer, key opinion sales (KOS) who are influencers with sales skills, and new methodologies. These are all marketing and CRM strategies that are being used by Chinese companies to reach and engage with their customers. They can build closer relationships with their customers which, in turn, drives sales.

3) Innovative Management Models

We'll look at cultural influences, mindsets, and specific management models used by Chinese companies that can be applied elsewhere to foster speed, customer-centricity, and entrepreneurial spirit.

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Chinese companies are known for thriving in fast-paced environments and their entrepreneurial, results-oriented leadership. This type of leadership is essential for driving innovation and growth in a competitive market.

Amid geo-political uncertainties, now is a good time, especially for interdependent markets like China and the US, to look and listen to each other, see what they can learn, and see how they can work together.

Let's take a look at it all in more detail.

CHAPTER 1

What's Behind China's Innovation?

Let's start with an examination of some of the key factors that put China in a favorable position in terms of reinvention.

No Legacy Systems

It's been said before, but one of China's main advantages heading into its transformation was an absence of legacy systems. It didn't have a credit card system to reconfigure for the digital age. It had no credit card system at all. It didn't have existing social networks or popular websites that needed to be updated for the modern era. Although it had some early outliers, like QQ (1999) and Renren (2005), it didn't have a series of big sites and social networks that had already come and gone by the late 90s and mid-2000s, as was the case in some other places. As a result of that, and its separation from

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the US tech space, it also never felt the full effects of the Dot-com Crash in the late 90s and early 2000s.

Ongoing Reforms

The country was already in reform mode when the digital era hit. This had started with Deng's reforms in late 1978 and was refreshed again with his Southern Tour in 1992. That trip included visits to Shenzhen, Zhuhai, Guangzhou, places that would become showpieces of the country's manufacturing prowess, and Shanghai, the country's financial and business center.

Everyone in the country seemed to play some part in the rebuilding frenzy and many were making a good living off of it. Few had to be persuaded or cajoled to join and, particularly since the country had such a low initial starting point, the benefits and improvements were very noticeable and much appreciated. That's not to say there weren't problems or issues, but most of the country wanted to take part in the country's move to manufacturing and then to high tech after that. People were on board for change and transformation.

Beyond this, China also had political, cultural, demographic and other factors that propelled it forward at warp speed.

A Large Workforce That Prizes Education, Perseverance and Hard Work

Chinese culture prizes education, hard work as well as humility and perseverance. People are taught from a young age that effort pays off and has to be a long-term habit for long-term rewards. Although there are still lots of gaps in China's education system, the advantages of education, training and grit weren't lost on anyone or taken for granted.

Much of the country's workforce was mobile and very willing to relocate to manufacturing hubs to undergo training. Many people were able to move into new jobs, higher positions and establish themselves in more prosperous locations at the height of China's manufacturing boom. An entrepreneurial, experimental spirit, and a high tolerance of risk were part of the deal. Many smaller cities and towns benefitted from regular remittances and upgrades in housing stock funded by residents working far away.

This large population and huge workforce of skilled labor enabled China's transition to manufacturing, which uniquely placed it in a good position for its tech transition as many of the products it was assembling were high tech electronics.

Tech Transfer

Because so much of its manufacturing involved technology, China got access to foreign technology. It also got access through trade, commerce, investment, and reverse engineering.

This helped China to skip several developmental stages and catch up with the West in terms of technological capability and skills.

The government values and prioritizes technology and science and there was a lot of research and development investment from domestic and foreign sources.

Long Term Government Planning and Favorable Business Policies

China had a favorable business environment. It had established a corporate climate that was conducive to both business development and the promotion of innovation. This included policies and long-term pragmatic planning to stimulate foreign investment, safeguard intellectual property, set up special economic zones and foster an environment conducive to healthy competition, although on the ground the competition was, and still is, often fierce.

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“ *From my 20 years experience of dealing with Chinese entrepreneurs, investors and companies, the mindset I admire the most is China's ability to think, plan and act for the long term. I think Western companies, politicians and investors, with an obsession for achieving short term results, can learn a lot from China's longer term approach which starts from the top. The Government's 5 Year Plan provides strategic direction from which companies can set their own plans and future strategy and this encourages a long term approach to investing in priority industries and sectors.*

I also admire the way Chinese entrepreneurs and investors are willing to invest for the long term in areas that fit their strategic priorities. For example, I have found that Chinese investors are willing to invest in start up biotech companies (e.g. drug discovery, diagnostic tools, digital health) at a much earlier stage than Western companies and, over time, this will work to their advantage. ”

— David Thomas,
China business expert and Managing Director at APAC
Financial Services

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This includes the Made in China 2025 policy (MIC 2025), which was launched in May, 2015. China indicated its desire at that time to shift away from being the world's factory. It signaled that it would move from being a manufacturer of low-tech items assisted by reduced labor costs and supply chain advantages to a more technologically advanced powerhouse in its Thirteenth and Fourteenth Five-Year Plans. China has also had a healthy dose of foreign direct investment that has helped it advance on the technology front.

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“During a recent visit to Jiangyin, I visited several textile factories. Everything from raw materials to high end machines are all located within 20 miles of each other. The shipping and transportation systems are some of the most advanced and everything comes together to allow for maximum efficiency. “China speed” is unlike anywhere else in the world.”

— Cyrus Janssen,
Managing Director of APP Marketing Solutions, Speaker
and YouTuber

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Timing

It didn't hurt that the rise of the internet itself coincided with China's reinvention and reorientation.

Next, let's look in more detail at some of China's innovations and areas of transformation.

CHAPTER 2

A Closer Look at China's Digital Development

China hasn't just changed in terms of moving on from being a manufacturing center. There's more to it than that. So what are the areas that China has developed as part of its transformation? Here are some of the most important ones.

Digital Ecosystems

Digital ecosystems are networks of interconnected services and companies that collaborate to offer users benefits and advantages. In China, digital ecosystems are frequently constructed around a single platform that offers users a number of different services. This model is prevalent in China.

The best-known example from the West is Amazon which has a huge online sales platform but also offers cloud services, offline grocery stores and streaming services for movies and TV shows.

Tencent has one of China's biggest ecosystems. It spans gaming (*PUBG*, *Honor of Kings*), social media (WeChat), fintech (WeChat Pay), music (Tencent Music), venture capital, healthcare, data processing and more. Alibaba is another large digital ecosystem that includes e-commerce (Alibaba, Taobao, Tmall, Aliexpress), fintech (Alipay), logistics (Cainiao), cloud services (Alibaba Cloud) and more.

Due to regulatory changes in China over the past 5-10 years, some of the component parts of these ecosystems, especially the banking related businesses, are no longer truly owned by their original parent company but there are still strong connections and affiliations that allow the businesses to work smoothly together.

Super Apps

Super apps are mobile phone apps that merge numerous services such as chat, social media, and digital payments on a single platform, offering an ultra-convenient, seamless user experience. This allows everything from chatting to friends to paying electric bills to booking a flight, all within one app.

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WeChat, which is widely used throughout the country, is probably the most famous example. In China, it's called Weixin (微信) and the version used domestically has a different backend, different databases, different content and far more capabilities than the international version of WeChat. Throughout this book, when we refer to WeChat, we mean the version used in China unless otherwise specified.

Meituan is another all-in-one app that offers a wide range of locally-sourced consumer products and services that span delivery, dining, entertainment and more. It's best known for its on-demand food delivery service, but the app also has non-F&B service providers and facilitates bookings with a variety of hotels, local attractions, and other tourism-related enterprises.

The most familiar example of this in the West is Facebook, where people can chat to friends, play online games, livestream, promote their business or sell things locally using the app's various functions.

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“In past decades the trend was for China to copy the West. Looking at today’s market, however, it seems that China has leapfrogged the USA across various digital platforms, such as super apps like WeChat, and certainly social commerce.

Moreover, around 90% of audiences in China aged 35 now get their sports content via digital platforms such as Tencent Sports and Douyin, while in the USA, digital viewership is rising fast, but linear TV channels are still the go-to platform for major sports like the NFL, NBA, and so on.”

— Mark Fischer,
Managing Director Fischer Sports & Entertainment
Asia, Former SVP & Managing Director at NBA China

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Digital Payment Systems

China has taken a significant leap in the world of digital payments, particularly mobile payments. With the rise of apps like Alipay and WeChat Pay, the country has become an increasingly cashless society. People in the country are used to using their phone to make purchases online and in all kinds of locations offline. Many locations in the country have even enabled “face payments” whereby a

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face scan connected to your digital payment app facilitates purchases.

E-commerce and Livestream Sales

Chinese enterprises like Alibaba transformed e-commerce by creating vibrant digital marketplaces that enabled even the tiniest businesses access to consumers across the country. Alibaba has e-commerce platforms specialized for small and large wholesale suppliers (Taobao), domestic B2B e-commerce (1688), and large brands (Tmall). They also established an efficient logistics network, Cainiao, that spans the entire country and is known for its fast, reliable deliveries.

As Jack Ma said in a 2015 speech, “In America, because retailers are everywhere, e-commerce is just like a dessert. In China, e-commerce has become the main course.”

Other big Chinese e-commerce platforms include JD.com, Pinduoduo, which specializes in group buying, Suning.com, which sells electronics and appliances, and Vipshop, an online flash sales discount retailer that focuses on apparel and cosmetics. Several social media platforms also have very active e-commerce functions.

Video and livestreaming platforms also have very active sales services. Live commerce has really taken off in China. Top level live commerce hosts can generate billions doing marathon streams during big shopping occasions. For example, on the first day of Singles Day pre-sales in 2022, top Chinese livestreamer Li Jiaqi sold RMB 21.5 billion (\$2.9 billion US at the time), doubling his sales record from 2021.

These examples will give you an idea of how big live commerce is in China. Video platform Douyin (its separate international version is called TikTok), has about 747 million monthly active users, who are mostly young people. Influencers and celebrities use Douyin livestreaming to sell goods and interact with fans. Taobao Live reported over US\$60 billion in gross merchandise volume (GMV) in 2020. It's known for its e-commerce integration, which allows viewers to purchase things right from the broadcast. Kuaishou is a video platform that is particularly popular in lower tier cities. The GMV for brands doing their own livestream sales on Kuaishou increased by roughly 70% year on year in the first quarter of 2023 while total livestreaming revenue increased by 18.8% year on year to RMB 9.3 billion.

5G

A June 2023 report from tech research company Omdia estimates that China will have 2.9 million 5G base stations by the end of 2023. The country also hit a milestone in May 2023 when China's four service providers (China Mobile, China Telecom, China Unicom, and China Broadnet), under the guidance of China's Ministry of Industry and Information Technology (MIIT), agreed to collaborate to share 5G networks to facilitate roaming services within the country. It lets clients use other telecom providers' 5G networks when they're outside the range of their original operators. They claim it's the first 5G inter-network roaming service like it. It lets clients use other telecom providers' 5G networks outside their original operators' range.

IoT and AIoT

The country's emphasis on 5G is also connected to its ambitious goals for the Internet of Things (IoT) which enables objects in the world to form part of a digital network. The most common example of this is smart homes with appliances that are connected to each other, the internet or special remote controls. People can control and interact with things like door safety cameras or air conditioners even when they're not home. More sophisticated

versions of IoT enable interconnection of objects in a city to create smart cities. Sensors at traffic lights can adjust their switch rate based on the real-time traffic flow or send out alerts to commuters about road work or accidents.

In early 2023, the government issued guidelines to accelerate its digital drive so that the country is a global digital leader by 2035. The Internet of Things is high on that list as it is crucial to developing smart homes, workplaces and smart cities, which feature highly in China's digital plans. Key industries have also been indicated. China Mobile announced intentions in July, 2020, to assist firms in 15 industries, including manufacturing, healthcare, automotive, and ports, in building private 5G networks.

Finding practical AI uses has been a focus in China just as it has been globally. This is also true for IoT applications. AIoT, which combines AI with IoT solutions, can be used to optimize energy management solutions, improve network speed, deal with data loads, traffic and reduce costs.

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“*AI's role in social new retail will grow, enabling personalized recommendations and others. As AI progresses, it will further improve the social new retail experience in China.*

Ensuring seamless integration between online and offline channels, cultivating collaborations and partnerships, and staying agile and adaptive to emerging trends, consumer preferences, and technological advancements will help brands remain competitive and relevant in the rapidly evolving social New Retail landscape.”

— Sandrine Zerbib,
Founder & Chairwoman of Full Jet &
President of Baozun Brand Management

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In business and marketing, AIoT systems plugged into a store's electronic billboards can read a sensor on a product that a customer is holding and adjust the advertising in real-time or measure the amount of time that customers spend in each part of a store and correlate that with the store's most purchased products to adjust product displays or store design.

China has also made major headway in the areas of digital healthcare, smart cities, green tech, cloud

computing, edtech and the blockchain, among others.

China has proven itself to be a leader when it comes to quickly and broadly applying cutting-edge digital technologies across a variety of sectors. From super apps that integrate multiple digital services into a single platform, to e-commerce giants with easy payment options and advanced logistics, to 5G and smart homes, China's digital economy shows a high degree of innovation and adaptability.

As the country's digital transformation progresses, it will continue to shape China and affect trends in the rest of the world.

If you want to know about China's current market in relation to innovation, technology and the situation for companies in your category, ChoZan specializes in detailed research that will help you see things clearly and reveal valuable insights. Contact us at info@chozan.co to schedule a free initial consultation.

I Customer-centric Ecosystems

CHAPTER 3

China's Tech Giant Transformation

China boasts some of the world's top tech companies but they didn't start out that way. They've gone through major changes and are now in an era of intense digital transformation and realignment due to government regulations.

People used to use the acronym BAT, for Baidu, Alibaba and Tencent, as the core representatives of China's top tech companies. That then changed to BATX, for Baidu, Alibaba, Tencent and Xiaomi. These companies are seen as cornerstones of Chinese tech but there are a lot of large companies shaping China's tech landscape and creating its ecosystems of highly integrated businesses and services that often are accessible within one mobile phone app.

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There are two kinds of giant tech ecosystems. There are platform-based ecosystems and industry-based ecosystems. Platform-based ecosystems usually focus on B2C products or services, software, and use unified IDs on mobile-first super apps. Many of these are online marketplaces with effective payment services. Industry-based ecosystems focus on solving industry issues and B2B services. They prioritize innovative hardware and transforming leading industries or areas of key infrastructure.

Tencent, Alibaba, Huawei, Baidu, JD.com, ByteDance, Xiaomi and others started out as small tech, e-commerce, mobile phone, chat or gaming companies. These firms have transcended their original business models to become expansive, integrated systems, providing a myriad of services across various sectors. Their experiences provide vital lessons in innovation, expansion, and customer value for Western businesses.

Let's take a closer look.

Alibaba: From E-commerce to Empire to Holding Company

Founded in 1999, Alibaba started as a B2B platform connecting Chinese suppliers with overseas buyers. Today, it's a sprawling tech ecosystem encompassing e-commerce (Alibaba.com, Taobao,

and Tmall), cloud computing (Alibaba Cloud), digital media and entertainment (Youku), and even financial services (Alipay, Ant Group).

Alibaba's success lies in its ability to identify and seize opportunities for expansion, creating a seamless ecosystem that caters to both businesses and consumers. Its deep understanding of the Chinese consumer, combined with a willingness to innovate and diversify, has been critical to its success.

Alibaba keeps evolving. It's the most integrated ecosystem in China today, but it has just defined a new leadership team that is facing a growth slowdown, regulatory pressure, and some harsh business realities. Change is the only constant.

In September, 2023, Joe Tsai will become the company's chairman, and Eddie Wu will become CEO, replacing Daniel Zhang, who holds both roles until then. Tsai and Wu are Alibaba veterans and close confidants of the founder, Jack Ma.

The move comes as China's biggest tech conglomerate is undergoing a fundamental reorganization. In March 2023, the company unveiled its "1+6+N" organizational structure, effectively breaking down its tight ecosystem into six independently run units:

1 Holding Company: Alibaba Group

6 business groups

1) Taobao Tmall Commerce Group: This covers domestic e-commerce businesses Taobao (Taobao, Tmall, Alimama), B2C retail business groups, and community group buying businesses Taocaicai, Taote, 1688— accounting for 69% of revenue. It will remain an Alibaba Group wholly owned unit.

2) The Cloud Intelligence Group: This includes Alibaba Cloud Intelligence, DingTalk, Tmall Genie, and Damo Academy. It accounts for 8% of revenue.

3) Local Services Group: AutoNavi and Ele.me, accounting for 5% of revenue.

4) Cainiao Smart Logistics: Its revenue accounts for 7%.

5) The Global Digital Commerce Group: This includes Lazada, AliExpress, Trendyol, Daraz, and Alibaba.com. It accounts for 8% of revenue.

6) Digital Media and Entertainment Group: This is Youku and Alibaba Pictures. Their revenue accounts for 3%.

The “+N businesses” include Alihealth, Fliggy, Pingtougé (semiconductors), Sun Art Retail, Intime Commercial, Hema, Quark, and more.

The current challenge is that the shopping festivals that have traditionally been the pillars for e-commerce platforms hit their peak a few years ago. Baidu search stats indicate that interest in 618 has remained at the same level for the past 3 years and the peak search years were 2015, 2018 and 2020. For 11.11, search volume has been going down since 2018. The peak search years were 2015, 2017 and 2018.

That being said, revenue at some other units is growing. As of March, 2023, revenue at Cainiao had grown 15% YoY, orders for local services grew more than 20% and Alibaba's international commerce order volume increased 15% YoY. Many believe the company's cloud computing business has the greatest potential.

Tencent: Redefining Social Media and Gaming

Tencent began as an instant messaging service with QQ but has since evolved into one of the world's largest tech companies. It regularly appears in top 10 lists of the world's largest companies by revenue. Its super app, Weixin (WeChat), has over 1 billion active users and offers services ranging from

social networking and gaming to mobile payments (WeChat Pay) and even ride-hailing.

Tencent has also made significant strides in the gaming space, becoming the world's largest video game vendor. Some of its more popular games are *Honor of Kings*, *League of Legends*, *PUBG* and *Call of Duty Mobile*. It's a key player with investments in various global gaming companies, such as Riot Games (fully acquired), Epic Games, the developer of *Fortnite* and Unreal Engine (40% stake), Activision and Ubisoft (shares in each).

Tencent's evolution shows the power of an ecosystem strategy. By creating an app that caters to multiple facets of users' lives, Tencent has been able to keep users within its ecosystem, thereby increasing the value of its offerings. The importance of creating multifaceted platforms that extend value beyond a single service is a crucial takeaway for Western companies.

JD.com: From Small Online Retailer to Supply Chain Innovator

JD.com, or Jingdong, started as a small counter selling recordable CD products in Beijing. It's now one of the largest B2C online retailers in China, competing head-to-head with Alibaba's Tmall.

JD.com has distinguished itself through its commitment to authentic, reliable products and speedy delivery, owning and controlling its logistics chain. Today, JD.com leverages technology in innovative ways, including automated warehouses and using drones for delivery in rural areas.

JD.com's story emphasizes the importance of owning and controlling key parts of the value chain and logistics services to ensure a superior customer experience. It shows that investing in technology and logistics can give businesses a competitive edge. JD is also an example that, as Ron likes to put it, "China's digital ecosystem is in a constant state of 'Perpetual Beta'. It's experimentation, and innovation at China speed".

Baidu: From Search Engine to AI Powerhouse

Baidu, often referred to as China's Google, started as a search engine in 2000. However, unlike Google, it quickly faced the challenge of expanding its business model in a market where the internet and digital advertising were still in their infancy. As a result, Baidu diversified into various sectors, including maps, news, video, and cloud services.

However, the most significant evolution occurred when Baidu bet big on artificial intelligence (AI). Recognizing the transformative potential of AI,

Baidu began heavily investing in AI research and development, launching its AI lab, called the Institute of Deep Learning, in 2013 and hiring some of the world's top AI researchers. Today, Baidu's AI technologies power everything from its search engine to autonomous cars, smart speakers, and even healthcare solutions.

The lesson from Baidu is clear: Recognize the transformative potential of emerging technologies early and commit to investing in these areas. Baidu's AI investments have allowed it to remain competitive in a rapidly changing tech landscape.

Meituan: From Group Buying to Daily Services Giant

Meituan began in 2010 as a group buying site similar to Groupon but has since evolved into a daily services platform. Today, it offers a wide range of services, including food delivery, travel booking, ride-hailing, and more, essentially becoming a one-stop-shop for various consumer needs.

The company's evolution was driven by a constant focus on meeting the diverse needs of consumers and a willingness to adapt its business model as needed. By efficiently integrating different services into a single platform, Meituan created an ecosystem that offers significant convenience

to users and benefits from the network effects of having multiple services in one place.

For Western companies, Meituan's journey underlines the importance of adaptability and customer-centric innovation. By continuously expanding its range of services, Meituan has managed to keep users engaged and create new revenue streams.

ByteDance: Redefining Social Media and Content Creation

ByteDance is best known for its short video platform, TikTok (Douyin in China), which has become a global sensation. However, ByteDance's ambitions extend far beyond social media. It has an array of products in its portfolio, including news aggregator Toutiao, workplace productivity app Lark, and even education technology ventures.

ByteDance's evolution has been fueled by two key factors: A powerful recommendation algorithm that keeps users engaged, and a keen understanding of the global market. Critics have said that the company's AI and algorithms are so effective that they essentially create addiction. Unlike many Chinese tech companies that focus mainly on domestic users, ByteDance's platforms have found enormous success overseas, particularly TikTok.

ByteDance's success sends a strong message to Western companies about the importance of user engagement and thinking globally. It shows that with the right blend of technology and market understanding, a company can break cultural barriers and achieve global success.

Kuaishou: From GIF Maker to Social Media Superstar

Founded in 2011 as a simple tool to create and share animated GIFs, Kuaishou has evolved into one of China's largest social media platforms. Today, Kuaishou is a major player in the short video market, boasting over 300 million daily active users, rivaling Douyin (China's domestic version of TikTok).

Kuaishou's success lies in its authenticity and appeal to the average user, particularly in rural China. It provides an avenue for people to share slices of ordinary life, fostering a sense of community and relatability often missing in more polished platforms. For Western companies, Kuaishou offers a powerful lesson that success can come from authenticity and connection, not just polished, aspirational content.

Xiaomi: Redefining the Smartphone Market

Xiaomi, founded in 2010, has become one of the world's top smartphone manufacturers. It achieved this by focusing on providing high-quality devices at a fraction of the cost of premium brands, aligning with its mission of "innovation for everyone."

Its smartphone sales have foundered in recent years as sales globally are down. It has failed to follow India's trend toward more expensive phones and many of its phones for the Chinese market are not approved by Google and can't access Google Play or other Google services. Due to an earlier pivot and atypical expansion into smart appliances and becoming a lifestyle brand similar to Muji, it has been able to weather this storm relatively well, although the brand's move into the automotive industry has been costly.

Xiaomi has developed an ecosystem of smart home devices and consumer electronics, fostering an integrated user experience. They've also prioritized customer engagement and cultivated a devoted Xiaomi fan community, particularly in large markets like India. They have open communication with their users and issue regular software updates to improve products in ways that customers truly appreciate. Xiaomi's rise underscores the importance of

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delivering exceptional value and cultivating customer relationships in competitive markets.

Huawei: From Telecommunications to Tech Titan

Founded in 1987, Huawei began as a telecom equipment supplier. Today, it's a leading global provider of ICT (information and communications technology) infrastructure and smart devices. Huawei's rise has been powered by an unwavering commitment to R&D and a global outlook.

Despite recent geopolitical challenges, Huawei continues to innovate, focusing on areas like 5G, AI, and cloud computing. Their perseverance amidst adversity highlights a critical lesson for all businesses: resilience and adaptability are keys to survival and growth in the rapidly evolving tech landscape.

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“China is reinventing itself today. Before the pandemic, the interest to learn from China was primarily from B2C technology platform giants like Alibaba or Tencent for their speed, scale and vision. Today, we can learn even more from product innovators such as BYD, TikTok or Huawei and the hundreds of hidden deep-tech champions on how they manage to thrive in an increasingly

difficult, even hostile world. We can learn from China's hungry mindset, their current obsession with AI, data, and R&D and from agile Chinese organizations that adapt to change as a norm, and as a matter of survival."

— Pascal Coppens,
Partner at nexxworks, Author of China's New Normal

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Shein: Fast Fashion Goes Digital

Shein has risen from a small online clothing retailer to become China's digital fast fashion brand. Launched in 2008, it took the fast-fashion model and enhanced it with a powerful digital-first strategy. Shein's ability to quickly design, manufacture, and ship new products aligns perfectly with the short-lived trends prevalent in today's social media-driven fashion.

Its use of extremely frequent small batch production and real-time data to understand what its customers want and then quickly deliver those products sets it apart. This data-driven approach to fashion, combined with its agility and speed, offers a blueprint for any business looking to understand and respond rapidly to consumer trends.

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However, fast fashion is falling out of favor and has seen a strong backlash from all sides in the past year or so. This has included everyone from the UN to investigative journalists doing in-depth exposés showing fabric waste, toxic chemical pollution and poor working conditions to fashion YouTubers calling out the brands or switching their topic area to avoid promoting what they see as wasteful practices.

Green and sustainable fashion is trending strongly. There are also more and more young people and fashion influencers who are interested in buying green, buying less, changing second-hand clothing (thrift flips) or making their own clothing from scratch. These affordable options are especially popular now with major cost of living issues in many countries. People are far more aware of the damage that fast fashion brands, especially large ones like H&M, Zara and Shein, cause.

Didi: Expanded Mobility Solutions in the Digital Age

Didi Chuxing, often referred to as China's Uber, is a ride-hailing platform that has transformed urban mobility. Didi's platform includes taxis, private cars, public transportation, bike-sharing and provides an all-in-one solution for urban transit.

But Didi's ambition goes beyond ride-hailing. It's leveraging data and technology to tackle broader transportation challenges, including traffic congestion, and building electric vehicle (EV) charging networks. Its evolution underlines the potential to leverage digital platforms to address complex, systemic issues, a lesson relevant to any sector.

NIO: Electric Vehicle Manufacturer Tackles A Key Battery Issue

NIO is an electric vehicle manufacturer founded in China in 2014. However, NIO isn't just an electric car manufacturer. It aims to redefine the entire car ownership experience. This includes innovations like Battery as a Service (BaaS), which allows users to swap batteries rather than charging them, reducing recharging times and vehicle costs.

NIO is also investing in autonomous driving technology and creating an ecosystem around its vehicles, including its Nio House offline clubhouses for NIO owners. NIO's approach underlines the power of holistic, experience-focused thinking in product innovation.

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“ Chinese middle-aged (rich) buyers still don` t trust the range of EVs. They`re afraid that they won` t reach their destination, especially when visiting their family. Therefore, the key challenge for EV adoption is convenient charging. This has been solved in a remarkable way. There are public charging stations everywhere, and NIO is even offering battery swap in 5 minutes. You get comfort, status, and convenience. Give it 5 years, and all consumers will go EV.”

— Francis Kremer,
VP, JULI Automation

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Ecosystems and AI

The evolution continues with the addition of AI tools and solutions.

Baidu

Baidu launched Ernie Bot (Wenxin Yiyan), the first domestic generative AI product, in March, 2023. It supports various functions such as text generation, math calculation, and multimodal generation.

Tencent

Tencent's Hunyuan AI chatbot will be integrated into QQ and WeChat, serving users through Tencent Cloud. It broke three records in May 2022, topping CLUE (Chinese Language Understanding Evaluation) for reading comprehension and subject knowledge. It's currently used in WeChat search and Tencent advertising to enhance the search experience and ad recommendations.

Alibaba

Alibaba released the Tongyi (Universal) large model in September 2022. Based on the Tongyi large model system. It can handle various cross-modal tasks, including image captioning, understanding audio-visual scenes, multi-language image-text retrieval, emotion and gesture recognition and more.

JD

JD Cloud will launch an industry chatbot called ChatJD with a focus on retail and finance. The ChatJD platform will be able to execute content generation, human-machine dialogue, understanding user intent, information extraction and emotion classification.

What do these big tech ecosystems have in common?

Each company has taken different paths to diversify, expand, create communities, connect with their customers and integrate. Each has leveraged technology and customer insights to expand their offerings and create greater value.

Their journeys highlight the importance of embracing emerging technologies, maintaining a customer-centric approach, integrated solutions, authenticity, resilience, data-driven decision-making and thinking globally.

As the digital economy continues to evolve, these lessons will be critical for companies everywhere and, in the digital age, they're lessons that can be applied anywhere, regardless of geography.

Interested in learning more about China's digital transformation and how your company can accelerate its digital journey? Contact ChoZan at info@chozan.co to schedule a free initial consultation to see how we could help.

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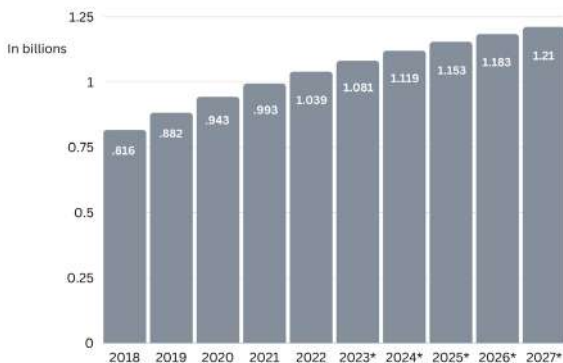
The Future of Retail: What Direct to Consumer Brands Can Learn from China

CHAPTER 4

Mobile First

China has one of the highest rates of smartphone ownership in the world, with a penetration rate of 82.8% and over 1 billion people using smartphones. This has led to a mobile-first culture where people use their smartphones for online activities rather than traditional desktops or laptop computers.

**Number of Smartphone Users in China 2018-2022
(with 2023-2027 forecast)**



*Forecast
Source: Statista

A large portion of China's 1.4 billion consumers, with over 900 million residents outside of Tier 1 cities, may not even have a desktop or laptop outside of their workplace and many rely solely on their mobile smartphone as their source of information, news, entertainment, communication, banking, shopping, and more.

Mobile Ecosystems and Online-to-offline (O2O) Services

Smartphones are highly portable, relatively inexpensive and there are a lot of low-cost, high-quality Chinese-manufactured phones. Fast, affordable 4G and 5G internet speeds enable hundreds of millions of potential shoppers to easily make purchases, use online services and view online media.

All-in-one messaging, social media and service apps, like WeChat and Meituan, and mobile payment apps, such as Alipay, are an integral part of daily life in China. Consumers can message friends, conduct B2B activities, pay bills, hail a ride, book a flight and shop for almost any product, all within a single app.

Widespread Trust

Consumers in China have a lot of trust in a variety of online platforms. This trust encompasses KOLs and the confidence that purchased products and services will be reliably delivered. Trust plays a pivotal role in this context, and it's an essential aspect that social media giants in the rest of the world have had issues with.

Although there are still issues with flawed items and poor delivery from Chinese platforms at times, these are rarer than in some other markets because most Chinese platforms have strict requirements for allowing companies onto their platforms and are highly regulated. User reviews and ratings are so important that some companies move into panic mode if a customer has a bad experience. Consumers often post on Weibo if there are major issues and this can easily cause a PR crisis.

In addition, China has a real name requirement for social media registration and many social media accounts are linked directly to a person's ID or bank accounts, enabling traceability and action in cases of problems. Most platforms in China are also fully enabled to cut off or ban accounts if there are problems of a substantial nature.

Chinese consumers also didn't live through the Dot-com Bubble and haven't seen as many online platforms become huge and then disappear, as has happened in the West. The American market alone has seen the rise and fall of tech and platforms like Napster, MySpace, Friendster, Snapchat, Vine and others. Then there was the revelation that Facebook was selling its users' personal data to a company called Cambridge Analytica on top of numerous data privacy breaches at multiple companies.

The West has also seen firsthand the fall of large banks like Bear Stearns and The Silicon Valley Bank and the UK and US have seen the fall of some large brick and mortar retailers in recent years so consumers in other markets are wary, although there still seems to be a high degree of trust in Amazon and established big box retailers.

Mobile First

In the West, people are also used to shopping channels on TV, as well as ads and offers through direct mail, magazines, radio, billboards, newspapers, email, websites, etc. all with traditional delivery methods. These contact points create a promotion-centric mindset because each needs to generate immediate results to prove that it's earning an ROI on the ad spend.

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China's mobile-centric platforms have enabled brands and marketers to focus on content-based experiences that will quickly connect, engage and resonate with consumers to drive revenue. Businesses there must have a mobile-first approach that delivers a great consumer experience.

Mobile devices now account for the majority of e-commerce activity. According to a Grips Intelligence 2023 report that looked at The US, Canada, Germany, Spain, France, Italy and the UK, over 70 percent of online shopping sessions occur on mobile devices but only 59 percent of transactions are completed on mobile and conversion rates on mobile are 50% lower than on desktops.

A lot of Western e-commerce sites have been built for the desktop environment and haven't been optimized with a mobile first mentality in mind. Many people also use credit cards for online payments and it can be easier to do this at home rather than on the go. It can be similar for passwords for online payment systems like Paypal and Stripe.

In China, there's a high penetration of mobile smartphones, super fast 5G networks and accounts are often linked directly to a user's bank account.

When they aren't, there are several widely used online payment options available and payments can be made via QR codes or facial recognition. Chinese consumers have convenience and choice in the palm of their hands.

Western markets are rolling out more high-speed mobile environments but at a much slower pace even though most of their core demographic consumers are already mobile users. First movers and adopters will be the clear winners. It's essential to optimize your online stores for mobile devices and enable fast, easy payments to ensure that customers have a positive experience and are easily able to complete their purchases.

Too many brands treat mobile as a smaller version of TV or the desktop version of their website. It's not. It's an entirely new medium that is the primary focus of most of their consumers.

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China's digital platforms look for a blended mix of social media, e-commerce, and entertainment. Finding a platform that works for your content and allows the platform to bring this mix together is many times a recipe for success.

— Richard Young, Founder of Young Events, Former MD of NFL China

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CHAPTER 5

The Impact of Social Commerce

What is social commerce? Social commerce combines e-commerce, video and social networking. It's driven by social-first platforms adding shopping features and commerce-driven sites incorporating social shopping elements.

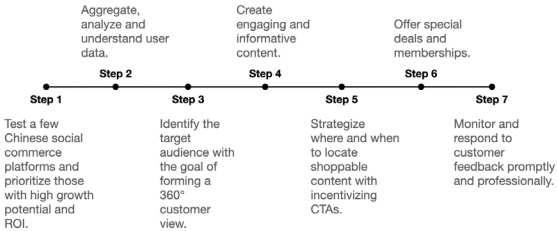
It blends shoppable content, livestream sales and shoppable chat. It also involves social CRM where customers can follow a brand's social media account. There are groups and communities so brands can easily connect with consumers and let them know about new products, discounts or sales. Popular formats like group buying and livestreaming are also integrated. Memberships and VIP incentives are also available. For consumers, it represents extreme convenience. Friends, family, influencers,

games, content and brands are accessible in one easily navigable, seamless transaction platform.

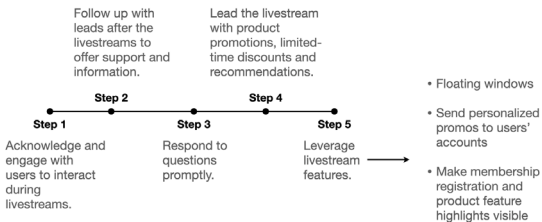


Source: *Live E-commerce Trend Development Analysis Report*, Syntun.com

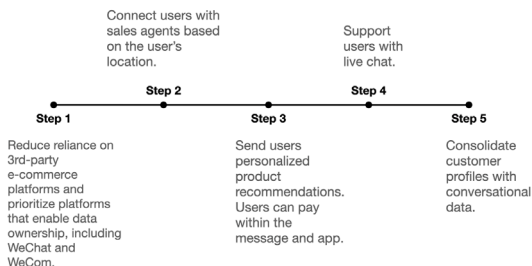
A Shoppable Content Guide for Brands on Chinese Social Commerce



A Livestream Shopping Guide for Brands on Chinese Social Commerce



A Shoppable Chat Guide for Brands on Chinese Social Commerce



Source: *Social Commerce Report: How to Build the Future of Retail*, Alarice and Chatlabs

Whether transactions are purely online, at physical stores, at pop-up experiences or a hybrid of online and offline, the China social commerce model directs the shopper to whichever conversion channel is most convenient and enables brands and consumers to communicate in ways that create meaningful, connected experiences.

Social commerce often maintains all transaction steps within one social media app. Fewer clicks and redirects result in higher engagement and conversions. The more clicks and steps a consumer needs to complete the transaction, the higher the probability of low engagement and low conversions.

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Visual merchandising is extremely important as Chinese consumers want to see your product from all angles and also see it used in action and the lifestyle. They are very discerning and demanding because it is not simply a “buy experience” for them. Instead it’s an ultra dynamic discovering, learning, entertaining, immersive buying experience.”

— Edward ‘Bud’ Cole,
President - Asia Pacific, Fender Musical
Instruments Corporation

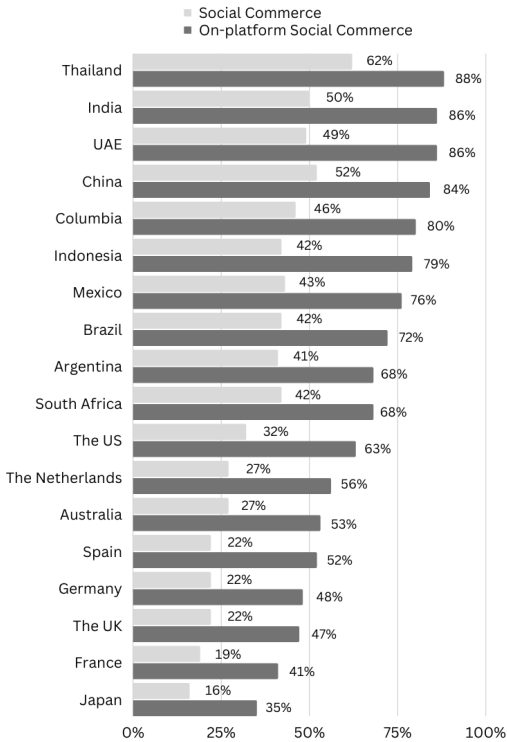
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Social Commerce in China

In 2022 almost 84% of Chinese consumers had shopped on social media platforms, putting them among the highest social commerce buyers in the world.

The size of social commerce globally is enormous, Accenture predicts that social commerce will grow three times faster than e-commerce and eight times faster than traditional retail over the next few years. By 2025, it’s expected to be a \$1.2 trillion industry. China is leading this charge and has already shown the playbook for what social commerce can accomplish. Currently, Western consumers are used to buying other ways with physical stores first and e-commerce second.

Percentage of online consumers buying from social networks (2022)



Source: Statista:

In China, top influencers, referred to as key opinion leaders (KOLs), generate enormous revenue due to their established consumer trust and the confidence in the products or services they are promoting. In addition to the top KOLs, there are thousands of mid-sized, small, and micro-creators all generating revenue from their fan bases through various social

apps enabled by their high level of engagement with their audience.

This phenomena has offered greater opportunities for people to participate as consumers, creators, influencers, KOLs, KOCs and sellers, resulting in a power shift from big players to smaller, more dynamic, nimble sellers. This shift is impacting every brand, retailer and platform globally.

How is Social Commerce Doing in the West?

Some big apps and platforms outside of Asia, most based in the United States, have social commerce tools but they don't operate at the same level or in the same way as Chinese social commerce.

Meta

Meta's e-commerce isn't built for big brands or for mass sales. Its apps have low barriers to entry because it doesn't verify sellers, charge listing fees or have sales commissions. The revenue stream seems to be from advertising by small and medium-sized enterprises, dropshippers, niche brands, and specialized boutiques that are advertising to reach local, regional or national customers.

Facebook has Facebook Marketplace and Facebook Shops in some locations. Marketplace enables

people to advertise products for sale similar to traditional classified ads and Shops allow businesses to list items for sale. These are mostly for dropshippers, individuals selling second hand items or small businesses selling items in their local area.

Instagram, which is also owned by the Mark Zuckerberg-helmed Meta, has Instagram Shopping which allows people to open shops on the app and also enables product tagging in posts and stories that link customers directly to product pages on their website. It has buy buttons, Instagram checkout, and shoppable posts. These are mostly used by individuals and small businesses, especially in the art, craft, photography and design realms. As many people go on the app to see interesting images and to explore trends rather than to shop, this function hasn't gained huge traction.

Pinterest

Pinterest has started its Verified Merchant Program (VMP) in 13 markets in North America, South America, Europe and Oceania. It started the program by finding reliable qualified businesses on the platform and welcoming them. Now that the program is more well known and lots of businesses are applying for the designation, it takes more work

and time to get it. The platform is quite selective and many applicants are rejected.

Verified merchants get a blue checkmark on their profile, prioritized distribution of their posts (called Pins), promotional benefits, shopping features, and more. Pinterest Buyable Pins are blue price tags that let customers know they can purchase the item they're looking at directly through the platform without leaving the app, which increases conversion rates.

It's an interesting path as Pinterest started life as an e-commerce site at a time when online payments weren't advanced enough to support it. It pivoted to become a visual inspiration site that is heavily used by shoppers looking for ideas and products. Now it's returning to its e-commerce roots.

TikTok

TikTok, the international version of Chinese app Douyin, started rolling out its Shop feature in November 2022. It gives brands checkout capabilities on the app for a commission fee. On brand profiles, users tap on a shopping bag icon, view their products and complete the checkout process without leaving TikTok. In the UK, TikTok has been testing its Trendy Beat shopping feature where users can buy products that are sold and

shipped by a Singapore-based company owned by TikTok's parent company ByteDance. In June, 2023, it was reported by TechCrunch that the company would also be rolling it out in the US.

TikTok is a strong draw for brands because it's known for its high level of engagement with its young user base. Its social commerce has been quite successful in Southeast Asia but hasn't gained huge traction in North America or Europe yet, despite the app's exceptional user stickiness.

In July 2023, it was reported that TikTok had signed a licensing deal with Warner Music Group and was launching a program called Elevate to discover rising artists so it is seriously eyeing the music industry. It also said that its aim was to be America's first super app.

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“China is about 5 years ahead of the US in combining e-commerce, entertainment, and social media into one consumer experience. Livestreaming, gamification, and social commerce are all versions of this phenomenon. Chinese B2C mobile apps have to be good at staying on this evolving frontier to survive the brutal domestic competition. The winners, like Pinduoduo, are not only supremely

competitive, but they have enough domestic scale to go international from a position of strength. TikTok, Shein and Temu were just the first.”

— Jeffrey Towson,
Founder of TechMoat Consulting

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Amazon

Amazon’s social commerce features seem to have a small but regular audience. It has livestreaming available to influencers, creators and shop owners in the US who fulfill certain criteria. It’s been used by celebrities and big brands on occasion but it’s most often used by influencers who have mainstream recognition as stars on unscripted TV shows and small sellers broadcasting from their homes who feature, explain and do demos with Amazon products that are shown in a carousel below their stream so users can check item details with a click.

It has also rolled out Amazon Inspire in the US on its mobile app. It’s a short video and image feed that’s personalized with shoppable content tailored to the users’ interests and engagement. It’s likely that browsing and purchase history on the app also shapes the Inspire feed.

What can Western Brands Do?

Use a Hub and Spoke Model to Redirect Customers to Your Owned Assets

As a brand or a creator you can distribute your short form videos or do livestreams on social platforms and redirect traffic back to your own website, like a hub and spoke model. The hub is your main base or website and the spokes are your marketing channels. This funnels consumers back to your hub where the transactions occur and 1st party data can be collected.

Engage With or Develop Your Own Influencers

Marketers need to engage with influencers and creators who provide authentic value to them to allow the influencers and creators to engage and transact with their end consumers. This relationship and building trust is key as brands, creators and consumers come together.

The days of large influencers who post a static picture of your brand or product are quickly coming to an end. The majority of consumers are more likely to buy a product or service from a category expert, a family member or a friend. Although big headlines are given to a few of China's top tier social commerce influencers, the micro-creators

and micro-influencers across China's various social media platforms are driving the majority of revenue and social commerce has ramped up this dynamic exponentially. It has enabled them to build even stronger consumer engagement and connectivity.

Build Frictionless Purchase Paths

Successful social commerce should deliver the ability to seamlessly engage with or discover a brand with a frictionless path to purchase at any given moment without additional clicks or redirects. Create an easy, fun, engaging and entertaining consumer purchase experience.

Build Community

Create online and offline spaces for your customers. You can offer group discounts, create online loyalty clubs, launch VIP memberships or build moderated chat forums with customer service personnel. This creates a human-to-human connection with others in a like-minded tribe and provides a sense of community and understanding.

China thrives on the popularity of group discount integration on almost all platforms allowing you, your family, friends and network to band together and save money. You can also get group discounts

with users that you don't know at all. This sparks additional connections and discussions that build a strong sense of community.

Brands in China usually supplement their social media connectivity by establishing VIP or private groups of fans and highly engaged customers. They stay in contact via instant messaging and text to ensure they maintain a one-to-one relationship with their followers. This allows them to get direct feedback and provide special deals and access without relying on social platforms.

As brands build a social media following in the West, they should regularly give followers chances to engage and connect. Through email or text, invite them to join your private instant messaging app group, or private livestream sessions, providing long-term, real interaction.

Word-of-mouth marketing is very influential, and social media is the perfect platform to facilitate this. Building a community around your brand on social media can help generate positive word-of-mouth, which can be a powerful tool for building brand awareness and loyalty.

**Social Commerce Marketing Case Study:
An American Boutique Coffee Brand**

A boutique, artisan coffee roaster and brand in Orange County, California launched during the pandemic with the mission to provide freshly roasted, ethically sourced, specialty coffee for their local community.

Their ability to build a community by communicating on social media, through e-commerce as well as face-to-face at local farmers markets was the key to their growth. They wanted to show their gratitude by giving their customers the best product they could while making sure each customer and person they engaged with knew they were important and welcome.

Their founder and staff were all very active at offline events and super engaged online via their social media channels. They showed their fans and customers how they source their beans as well as their roasting, finishing and packaging processes. On top of that, they showed how to make all kinds of coffee beverages with their self produced 'Brew Guide'.

They engaged with their local city government, local media personalities, and other local small businesses, from hairstylists and car washers to real

estate agents and HVAC installers, inviting them to tastings and interviews. They filmed and posted their interactions. This engagement helped to build their brand and brought like-minded business owners together over a cup of the best quality coffee they could offer.

Their marketing was integrated offline at a farmers' market with fun, entertaining lucky draws, and online with their mobile e-commerce site that featured a subscription service. Their online coffee subscription business has blossomed over time through their community via word-of-mouth. They have been shipping to over 40 states on a regular basis, without spending any online marketing money.

Their social media fan base, engagement and connectivity has grown immensely with people posting photos with their coffee, with the staff, with the founder and even with other lovers of the brand. Their community grew not only locally but nationwide. That is the power of community, social media, storytelling, influencers and, of course, a quality product.

CHAPTER 6

Online Merge Offline (OMO)

In earlier stages of our digital evolution, the expression “online to offline (O2O)” emerged to describe a strategy that leads potential customers from online channels to make purchases in physical stores.

In an omnichannel world, not only must businesses have an online presence that can draw customers to offline locations, but also offline locations that can draw customers online. These two entities must be aligned and intertwined in new ways. The phrase for this kind of interaction is online merge offline (OMO).

This might mean getting access to online discounts or privileges as a reward for visiting physical stores, experiencing VR or AR simulations of products and services at store locations, being able to buy

things online from an apparel retailer and pick up your package at a convenience store near your home or online customer service representatives at physical stores who can help with online order issues providing an in-person and digital service experience.

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But here's the real trick: collaboration. Chinese OMO models often partner up to offer something unique. This spirit of collaboration, whether it's with influencers, other brands, or tech partners, can be a game-changer globally because when you team up, you bring fresh ideas to the table and create something that's more than the sum of its parts.

And let's not forget about data. Chinese OMO models thrive on data-driven insights to customize experiences so brands worldwide should dive into data analytics to truly understand their customers – what they want, when they want it, and how they want it.”

— Ronen Simhi,
VP of Sales and Strategy, APAC, at Outform

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Pop-up Stores

It also includes pop-up stores. Pop-ups are suitable for almost any brand, especially direct to consumer

(DTC) online-only brands. They're a chance for your existing and new consumers to touch, feel, see, smell or taste your products in a fun, exciting environment. They can be as simple or complex as your budget allows so whether you're a multi-brand retailer, SME, DTC or hybrid business, pop-up stores should be an instrumental part of your overall business growth strategy.

Brands use pop-up stores in China as powerful tools to boost brand awareness, offer samples, provide coupons, give free gifts, collect data and feedback and increase e-commerce and in-store sales. Here are some best practices from China when it comes to pop-up stores.

Location, Location, Location

Location is key when it comes to pop-up stores. Choose a spot that's easily accessible and has high foot traffic, such as a shopping mall or a busy commercial street. Also consider the location's proximity to popular tourist attractions and transportation hubs.

Create an Immersive Brand Experience

To make a lasting impression on consumers, create an immersive brand experience that engages all the senses. Use interactive displays, experiential

marketing, and unique brand messaging to create a memorable experience for consumers.

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In China, shopping is not just about buying products. It's expected to provide a unique experience, with its share of entertainment, surprising innovation, games and more. In addition, consumers are very open to tech innovations and expect to be able to shop and experience a brand at any time, anywhere, on any device, and shop “on the go” while they're being entertained. By offering a variety of channels for consumers to shop, such as online marketplaces, social media platforms, pop-up events and brick-and-mortar stores, brands can reach customers wherever they are and provide a personalized shopping experience.”

— Sandrine Zerbib,
Founder & Chairwoman of Full Jet &
President of Baozun Brand Management

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Offer Exclusive Discounts and Promotions

One way to drive traffic to your pop-up store and increase sales is by offering exclusive discounts and promotions to customers. For example, offer a limited-time discount on products or provide

customers with a coupon that they can redeem online or in-store.

Give Product Samples

Consumers are particularly receptive to product sampling. Use your pop-up store to offer free samples of your products to customers. Provide them with easily accessible product information and use QR codes and forms to capture their real time feedback.

Collect Customer Data

Use your pop-up store as an opportunity to collect customer data, such as email addresses and phone numbers, or to connect on social media. This can be used for future marketing campaigns and to build a loyal customer base.

Integrate With E-commerce and Offline Retail Channels

To maximize the impact of your pop-up store, integrate it with your e-commerce and retail channels. For example, provide customers with a QR code that they can scan to access your online store or offer discounts for customers who make a purchase at your pop-up store and later visit one of your retail stores.

Gamify Things to Increase Enjoyment and Interaction

To increase interest, enjoyment and engagement, gamify your pop-up. Have customers complete tasks at the pop-up to get clues or codes for a specially designed online game. Have a photo treasure hunt. Have a room designed for an AR game where visitors can solve puzzles to win prizes. Have a physical challenge for customers to complete for a branded badge.

Link the games as much as possible with your brand and products. For example, a sneaker brand could have a “Make your own keychain” area. Each person gets a keychain to keep with a stuffed fabric mini version of the brand’s new shoe in white. They can use provided supplies like markers and decals to color and decorate it. Then staff takes a photo and enters it into the database for people to vote on their favorite. The chosen version will be made by the brand with the winner getting free merchandise.

Promote Using Visuals, Video and Social Media

Publicize your pop-up event through social media with both short and livestream video. Engage micro-influencers and KOLs to help boost event awareness.

Special Appearances

Invite special guests like influencers or local personalities and have them post about the event on their social media. It can be a meet and greet where they give away signed or limited edition items or they could do a short interview at the location.

Livestream It

Livestream the event so viewers outside your physical location can engage and take part in the activities and special deals that you are offering

Great Service

Ensure your on-site and online staff provide excellent customer service, are well-trained and are knowledgeable about your products. Your staff should encourage and guide customers through product demos, show them how to scan for deals and coupons and how to access the livestream.

Make it Instagrammable

Create photo-worthy spots at your pop-up store. Customers and anyone walking nearby should be inspired to take a picture to share with their friends, effectively promoting your brand. Design

aesthetically pleasing displays in vibrant colors and have signage with hashtag suggestions.

Planning Tips:

Set Clear Goals

What do you want to achieve with your pop-up store? Do you want to increase brand awareness, generate leads, reward loyal customers or sell more products? List these in order of priority then develop and build your strategy to achieve your goals.

Costs and Budget

It's important to design and budget wisely. Be flexible and keep an open mind. For small brands, your pop-up can be a small stall or gazebo at an outdoor festival. For larger brands with higher budgets, they can be complex immersive experiences in high end, urban commercial spaces.

Run the numbers on the actual hard costs of things like location, booth or tent rentals, construction and production, staffing, pre and post marketing, discounts, free gifts, influencers, and other expenses.

Pop-up Store Case Studies

These are examples of brands in China using pop-up stores to drive consumer engagement,

provide immersive experiences and increase brand awareness.

The Häagen-Dazs Mooncake Pop-up Store

The global premium ice cream brand, launched a pop-up store dedicated to mooncakes, a traditional Chinese delicacy consumed during the September Mid-Autumn Festival. Why was this event a hit?

Seasonal Relevance

Häagen-Dazs capitalized on the tradition of giving mooncakes during the Mid-Autumn Festival with a pop-up store exclusively offering a variety of Häagen-Dazs ice cream-filled mooncakes. A traditional treat with a modern twist.

Premium Positioning and Gifting

Häagen-Dazs positioned its mooncakes as a premium, luxurious gift option. The pop-up store showcased elegant packaging, high-quality ingredients, and a range of flavors, appealing to consumers looking for premium gifting options during the festival.

Limited Availability

Häagen-Dazs created a sense of FOMO, scarcity and exclusivity by offering a limited supply of

mooncakes at the pop-up store. This motivated customers to make their purchases promptly and increased the perceived value of the product.

Brand Collaboration

During the 2021 holiday season, Häagen-Dazs collaborated with France's Louvre Museum to roll out a special collection of mooncakes, featuring iconic museum collections including the Louvre Pyramid and Leonardo da Vinci's masterpiece, *Mona Lisa*. The elegant packaging, with images from the esteemed French museum together with traditional Chinese elements was a sought after, premium offering that would leave a lasting impression on anyone who received it. They were a home run

HeyTea's Pop-up Stores

Chinese specialty tea brand HeyTea launched a series of successful pop-up collaboration stores all around China offering consumers limited time flavors, exclusive brand collaboration packaging and Instagrammable photo opportunities.

A Unique, High-quality Product Offering

HeyTea differentiated itself in the crowded beverage market by offering a range of innovative

tea-based beverages. Their signature cheese tea, made with premium ingredients, gained popularity and became a key attraction for customers visiting their pop-up store.

Limited Edition Collaboration

HeyTea frequently collaborates with popular brands and influencers to introduce special flavors or drinks exclusively available at its pop-up stores. These collaborations created excitement and encouraged customers to visit the store to try the new offerings and collect exclusive products with specialized packaging. They've had some notable collaborations across the fashion, cosmetics and food sectors with White Rabbit, Adidas, AAPE, L'Oréal, Clinique and Fenty Beauty.

Engaging, Immersive Experiences

HeyTea's pop-up stores were designed to provide engaging, immersive experiences. The stores featured eye-catching, photo-friendly interior designs, enticing customers to take photos and share their experiences on social media.

HeyTea also incorporated interactive elements, such as tea-making workshops and interactive games to collect gifts, coupons and red envelopes to further enhance the customer experience.

Chinese DTC Brand Shein Forges Ahead with Pop-up Stores in the US

It's important to note that at the time of writing, there is currently a heavy backlash occurring on social media in the US and Europe against fast fashion brands in general and Shein in particular. There have long been influencers who have been educating consumers about sustainability and ethical fashion who have discouraged people from using fast fashion brands while also advocating for those brands to be more ethical, sustainable and to respect the intellectual property of small designers and brands. Things have reached a tipping point and there is now a lot of strong opposition to the brands. Lots of influencers who previously featured brands like H&M, Zara and Shein in their content are now switching to new topics and making different content.

With that in mind, Chinese DTC brands entering the US market have already used pop-up stores to gain traction there. In 2022, fast fashion brand Shein launched a series of pop-up stores around the US, allowing shoppers to see, touch and try on its apparel. They are using a pop-up strategy to drive their business, build more brand equity, connect with consumers' and generate even more revenue and positive press in the run up to an expected IPO.

They offered VIP invitations to their best online customers who had first access to limited editions and new collections. According to a 2022, New York Times article, Shein held a pop-up store event in Dallas, Texas and people lined up several hours before it opened. One of Shein's next stops was the luxury shopping area of The Venetian Resort in Las Vegas. They were nestled in a very high-end shopping center that features many of the world's largest luxury brands, premium dining and a very high-end hotel.

A Flexible, Powerful Tool

Brands of all sizes can use pop-ups. They can generate buzz, create a sense of novelty and exclusivity, create a sense of urgency and encourage customers to visit and engage with the brand or try out products. Doing a livestream at scheduled times allows consumers who can't get to the location to interact and participate, especially if you have any special guests on-site. They're a powerful way to connect with customers and close the gap between online and offline.

CHAPTER 7

The Human Touch: Last Mile Delivery, QR Codes and CRM

Social commerce offers something radically different from traditional static e-commerce by blending content, buying, selling, and a real sense of human-to-human connection.

However, there are lots of puzzle pieces that need to fit together to make a great customer journey and maintain a personal connection with consumers. Let's take a closer look at logistics, QR codes and CRM.

The Evolution of China's Last Mile Delivery System

Last mile logistics, when products are transported from a fulfillment center to the end customer's doorstep, is the final stage of the delivery process

and is one of the key pillars of China's successful e-commerce.

Imagine running a great social commerce campaign, making big investments in influencers, marketing, communications, and inventory and your last-mile delivery fails to fulfill your commitment to your customers, resulting in dissatisfaction and negative impact.

Chinese consumers have high expectations when it comes to delivery speed. Offering same-day or next-day delivery options, along with the ability to choose specific time slots, can greatly enhance customer satisfaction.

The country's advanced, robust last-mile infrastructure is a direct response to the explosive growth of the e-commerce market. Supply chain players in China had to rapidly evolve to keep pace with the country's demand surge and their innovative solutions have proven highly effective. Decentralized service centers, agile transportation methods, and the widespread deployment of parcel lockers significantly improved their last-mile logistics.

Let's take a closer look.

Fast, Effective Last Mile Delivery Options

For brands operating on major platforms, the logistics are built in. Those opting for their own e-commerce, like a WeChat shop, typically contract with one of many reliable last-mile delivery companies. These companies use a network of logistics service providers to pick-up and deliver quickly, seven days a week.

An Array of Small Service Centers

China has a large network of small-scale service centers conveniently spread around its cities. There are 50-100 service centers that are visited frequently by smaller vehicles. This decentralized approach ensures efficient coverage and accessibility for customers.

Utilization of Small Vehicles and Electric Bikes

To expedite parcel delivery, small vehicles make multiple trips throughout the day. These vehicles, often e-bikes, adeptly navigate traffic while transporting parcels stacked high. This agile, responsive approach enhances overall efficiency, cost and delivery speed.

Wide Deployment of Large Parcel Pick-up Lockers

China has strategically positioned large parcel pick-up lockers across urban areas, offering thousands of locations for customers to securely retrieve their packages. This is convenient and minimizes delivery challenges.

Package Tracking and Updates

Providing communication, transparency, and keeping customers informed throughout the delivery process is crucial for a positive customer experience. Providing real-time tracking updates via SMS or mobile apps helps manage customer expectations and build trust. Proactive communication in case of delays can also mitigate dissatisfaction.

A Personal Logistics Story from Ron

In 2022, I ordered some skincare products from a major brand's own US website (DTC) on a Wednesday afternoon. All the way through the checkout process there was no mention of shipping or delivery times. Based on my experiences in China, my expectation was that the brand would be processing my order and preparing my shipment in 24 hours or less.

After I placed the order, I received the automated order confirmation email with the shipment status as 'pending'. For the next 4 days, I received no further updates and the shipment status was still 'pending'. I tried to contact customer service, but they're not available on weekends. Brands operating in China provide excellent, real-time customer service 7 days a week.

Finally, the following Monday, the shipment status was updated to "Your order has been processed and is ready for shipment". Two days later, I was provided with the carrier tracking number so I could track the package.

The actual shipment time was 2 days, however, the overall timeline from ordering to receiving the package was approx. 9 days. Several times, I tried their customer service chat feature to see if I could help speed up the process. Either the chat timed out or the wait line was too long.

A Comparison of Logistics Systems

A lot of DTC brands in Western markets seem to only pick, pack and ship a few days a week. In order to keep up with the competition and provide stellar service, whether you're an SME who does their own logistics or a global brand using third party logistics firms, you should communicate and plan

your delivery timing with your partners, then clearly communicate with your customers to manage their expectations before they check out.

Some of the major marketplaces do a pretty good job in this area so SME and DTC brands need to take note and upgrade their logistics strategy. Customers love fast shipping and a failure to execute it and manage expectations accordingly can have a large impact on customer retention.

According to Deloitte's 2023 Global Smart Last-Mile Logistics Outlook, last-mile delivery accounts for 41% of total delivery costs. Please invest in the right infrastructure, resources, and partners so that you can deliver the highest level of customer satisfaction and increase your margins.

QR Code Integration

Quick Response (QR) codes were invented in 1994 by Masahiro Hara, a Japanese engineer. Hara worked for Denso Wave, a subsidiary of the Japanese automotive components manufacturer Denso Corporation. Hara developed the QR code with the goal of improving the efficiency and speed of the manufacturing process for automobile parts with a barcode system that could store more information in a smaller space than traditional Universal Product Codes (UPC) barcodes.

Hara's invention revolutionized the way information could be encoded and decoded, leading to a wide range of applications beyond its initial purpose in the automotive industry. While UPCs can only store a limited amount of information in a linear format, QR codes can store large amounts of data in a two-dimensional matrix.

This makes them versatile and suitable for various applications, including inventory management, advertising, payment systems, and information sharing. In the digital age, QR codes enable quick access to data using smartphones and other mobile devices.

The West has been slow to adopt QR codes for packaging and marketing purposes for a variety of reasons, such as limited awareness, lack of standardization practices leading to inconsistent user experiences, limited consumer incentives, and brands thinking the code's aesthetics didn't match their packaging style. In the past, consumers also needed to download third-party QR scanner apps but now most devices have QR code scanners built in.

Japan and China were early QR code adopters and these codes have become essential tools for brands in China to engage with consumers and drive sales.

By using QR codes in packaging and marketing in creative and innovative ways, brands can build stronger relationships with their customers and gain a competitive edge in the market. Let's take a look at ways China uses QR codes to connect and engage with consumers

Mobile Payments

QR codes are widely used in China for mobile payments. Brands can leverage this trend by incorporating QR codes into their payment systems, making it easier for consumers to pay for their products.

Interactive Experiences

Brands are using QR codes to create interactive experiences that engage consumers and promote their products. For example, scanning a QR code might take a consumer to a game or a virtual reality experience that showcases the brand's products.

Coupons and Discounts

QR codes are often used to offer coupons and discounts to consumers. Brands can distribute QR codes through social media, email, or other channels, encouraging consumers to scan them for a discount on their next purchase.

Brand Awareness

QR codes can be used to build brand awareness by directing consumers to branded content, such as videos, blog posts, or social media profiles. By using QR codes to direct consumers to engaging content, brands can increase their visibility and build brand loyalty.

Event Promotion

Brands can use QR codes to promote events and drive attendance. For example, a QR code on a poster or flyer might take consumers to a registration page or an event information page.

Western users are becoming more accustomed to the use of QR codes. During the 2023 NFL Super Bowl, which boasted 200 million viewers, a Coinbase ad showed a QR code bouncing from corner to corner of the TV screen. The ad, which reportedly cost US\$13 million, didn't have any extravagance. There were no people and no brand names. There was just a QR code, however it grabbed everyone's attention.

Those who scanned it were directed to the company's promotional website, offering users incentives just to create an account. It later crashed due to the excessive traffic.

During the same event, Meta also jumped onto the code bandwagon by tweeting its own bouncing QR code that linked to the company's Foo Fighters-led VR afterparty.

Both examples show how QR codes can be used for customer acquisition or entertainment experiences. All brands should be integrating QR codes in their marketing efforts.

Packaging and Labeling

QR codes can be printed on product packaging or labeling to provide consumers with additional information about the product, such as ingredients or specs, nutritional information for food, usage instructions, reviews, and usage tips.

Traceability

Managing and working with over a hundred Western brands entering and launching in the China market, we advise them on localization best practices to capture leading brand and e-commerce positioning. One aspect we emphasize is increasing their consumer connectivity and engagement through small packaging and marketing engagement strategy upgrades via QR code integration and deployment. Being able to

trace product authenticity and origins enhances consumer confidence in China.

Personal Example from Ron

We helped a Western SME beauty brand enter the China market, and advised them on upgrading their branding and marketing communications. In their home market, they did relatively little DTC marketing and sales and heavily relied on traditional retail distributors.

In a few short years, we took them from a market entry brand to Alibaba's Tmall No. 1 leading brand in their category. One of the many upgrades we helped them with was QR integration not only in China, but in their home market to increase their brand equity and consumer engagement.

QR integration on their packaging allowed Chinese consumers to:

1. trace the authenticity of the product
2. engage in various marketing campaigns throughout year
3. enter giveaways and lucky draws
4. access limited-time new product launches or exclusive coupons
5. access VIP and exclusive livestream events

In Western markets, QR codes enabled access to dynamic landing pages that showed the latest beauty trends and video tutorials, provided digital coupons that could be redeemed online or from one of their retail partners and, most importantly, facilitated direct human to human connections enabling the brand to collect data from consumers they previously had zero visibility to.

Using a retailer or distribution partner is a great thing to increase a company's revenue and brand exposure. However, it's still a 3rd party channel. If your brand is pulled or the retailer doesn't actively sell your products, you need a way to connect and engage with consumers. Many brands have yet to discover their power and the necessity of a direct connection to stay relevant and drive engagement. A QR code strategy is just one of the ways to do that.

Many brands list on their packaging 'Follow us on social'. What incentive do consumers have to follow you? Why not have something like 'Scan to enter the giveaway', 'Scan to receive a coupon for \$10 off', 'Scan for a VIP video tutorial from our celebrity chef' or 'Scan for an influencer makeup tutorial'.

For consumers, QR code scanning is a built-in function on most smartphones. For brands, scans

allow you to collect a plethora of valuable data, enable endless engagement opportunities with your consumers and allow you to gather consumer feedback on new products. If data is the new oil, your brand needs to start drilling now.

Theoretical Case Study: Skechers

Skechers USA rolled out a nationwide TV marketing campaign to launch their new Max Cushioning Hands Free Slip-ins featuring former NFL star Tony Romo. You can only imagine the product and talent cost for these 15-30 second segments. Whether online or TV, their media was almost exactly the same across all the platforms and networks. They're relying on 3rd parties to provide data reports on views and reach with sampling size generic metrics.

Let's imagine that they roll out the same ad campaign with incorporated QR codes that allow consumers to quickly scan and bring them to a dynamic landing page that Skechers can update and customize based on the campaign.

Here are five examples of things Skechers could have implemented with relatively low cost and the possibility of huge returns.

Scan the QR code and:

1. Go to a landing page. Enter your mobile number, email, shoe size, and favorite shoe color for a chance to win a Tony Romo signed NFL football.
2. Get a chance to win a hand-delivered pair of shoes. (This is the Taylor Swift approach. Capture the surprise and delight on video and let social networks amplify the entire experience.)
3. Get a video call with Tony Romo for a meet and greet and/or signed Tony Romo memorabilia at select Skechers retail outlets.
4. Get on the VIP list for local sponsor events and fun runs.
5. Win a branded swag bag and enlist as a micro-brand ambassador.

These are just a few things they could have done. Although their agency partner is doing a great job producing high-quality videos, they're still missing consumer engagement, data collection, shoppable short videos, livestreaming, and one-to-one video engagement from their DTC website.

Customer Relationship Management (CRM)

China's marketplaces are probably the most advanced and engaging in the world, allowing

shoppers to ask questions and interact directly with each brand's customer service agents 7 days a week and, believe it or not, replies are made in a minute or less.

Why is customer service such an integral part of the consumer experience in China? Alibaba recognizes the significance of real-time communication and has prioritized chat integration into its flagship commerce platforms, Taobao and TMall. Fast, attentive seller responses have become a fundamental consumer expectation.

Fast Responses to Customer Queries

China is built on speed and hustle. It should apply to the Guinness Book of World Records for the Fastest Responses to Customer Enquiries. When Western executives visit China preparing for market entry or a digital launch, they're often amazed at the real-time customer service levels and engagement that takes place across e-commerce and social media apps.

Data From Ron

During the course of my work, data we collected from over 100 brand-owned Tmall stores revealed that 92% of brands' customer service agents replied

to queries via live chat within 30 seconds, 6% replied within one minute and the remaining 2% of brands took longer than a minute.

A Variety of Questions Before and After Purchases

Chinese customers put in the work and do thorough research when they consider purchasing a product. They often review overseas websites, several domestic websites, social media platforms and more. Most consumers ask the brand questions that are crucial to their purchasing decision prior to making a purchase. Answering these questions in a timely and professional manner helps build confidence and trust with existing and future customers.

Customers also engage in pre-sales conversations with sellers to negotiate bulk discounts, confirm sizing, packaging or check on delivery timelines. Post-sales representatives are key to helping foster brand reputation and reduce potential returns as customers can send pictures and videos of damaged packaging or products in order to get a discount or replacement items. Reps can also enlist a support specialist to help with product installations, setup, maintenance, or how-tos. This helps build the brand's online reputation.

CRM Linked to Platform Rankings

On top of all this, these quick CRM responses are among the three key factors determining the rating and ranking of a brand's Tmall store. Tmall store ratings are based on:

1. Customer Service Attitude and Efficiency
2. Accuracy of Product Descriptions
3. Logistics and Delivery Service

Cohesive, Proactive Communication Helps Build Community

Direct CRM responses open up endless opportunities for meaningful connections. A proactive messaging mindset serves as an invaluable tool for Chinese brands, expanding the horizons of marketing when traditional email communication isn't a viable option. This direct interaction has allowed numerous emerging Chinese brands to swiftly establish a loyal community of customers.

In the West, email marketing has long been the go-to method for brands to establish and nurture customer relationships. Western marketers still rely heavily on it and other channels with the result being that communication is typically slow and fragmented across email, SMS, WhatsApp, Messenger, and DMs. Western brands can speed

up their response times and increase consumer engagement by leveraging technology and bringing the offline, in-person experience online through one-to-one video commerce. To quote Jeff Bezos, "If you do build a great experience, customers tell each other about that. Word of mouth is very powerful."

Private Traffic

In China, WeChat has emerged as the preferred messaging platform, serving as a comprehensive solution for personal and business communication. Chinese brands have prioritized direct traffic to their brand WeChat accounts and groups, which they call private traffic, and it's proven to be a very effective tool for engagement. The key differentiator lies in the ability to facilitate meaningful human to human, two-way conversations.

Customers in China expect genuine interactions when engaging with brands and often interact not only with the brands themselves but also with fellow customers in brand managed, invite-only group chats, VIP member spaces, shopping groups or brand-run fan forums. Some brands also use WeChat mini programs to communicate. They offer app-like experiences, without the need to download anything. This dynamic ecosystem allows brands to capture first party data, establish meaningful

connections, and deliver tailored experiences to their valued customers.

Interestingly, some of the most successful direct-traffic strategies in China embody a valuable lesson in incorporating community into the product experience.

Theoretical Case Study

Here's an example of how direct (private) traffic could work with a beauty brand.

Let's say you visit a store or pop-up to purchase some skincare products. The salesperson recommends a specific line of beauty products. They might suggest, "Once you make your purchase, add me as a contact. Feel free to message me if you have any questions about product usage, skincare routines, or any aspect of your beauty regimen. If I come across exciting new beauty tips, trends, or accessories that complement your products, I'll make sure to share them with you." In agreement, you allow the salesperson to initiate a personalized chat with you.

What's the impact? You're more likely to feel confident in your beauty product selection because you have the salesperson's personal support, and you're less inclined to return the items since you now have a direct line of communication with them.

This type of direct, human to human interactive conversation not only enhances your shopping experience but also enables the brand to gain valuable insights about your preferences, leading to stronger customer loyalty and a stronger relationship.

The power of human-to-human interaction is what sets Chinese brands apart and allows them to integrate community building seamlessly into the consumer experience.

Prioritize customer service

Chinese social and e-commerce companies have invested heavily in customer service, offering features like live text, voice and video chat support, fast, free shipping, and generous return policies. Western brands and platforms can take note and prioritize customer service to build strong, lasting relationships with customers.

Chinese digital ecosystems embrace technology to make it easier for customers to reach brands and brands to reach customers with real-time, two-way messaging that builds trust, authenticity, and a sense of community.

One example of a Western brand that is taking this approach to its customers is Frontdoor. The

company specializes in helping its customers repair and maintain homes. Their mobile app connects with customers in real-time for live video chats with experts to diagnose and solve their problems.

If other Western brands continue to use one-way marketing and email blasts without really attempting to build a relationship with Millennial and Gen Z communities, they'll miss out on the best ROI-positive, community building and revenue-generating opportunities available.

In search of corporate training to tackle online merge offline marketing and sales integration? ChoZan can help. Contact us at info@chozan.co to schedule a consultation.

III Innovative Management Models

CHAPTER 8

Management and Leadership Models from China

China's hypercompetitive market, rapid transformation, huge consumer base, large workforce, sophisticated manufacturing infrastructure and willingness to adapt when it comes to practical and economic issues have led to the development of some maverick management and leadership styles.

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“Chinese companies innovate business models, not technology. They take technology and make it convenient and affordable. The early adopter is often lured with huge discounts, which lead to losses for the provider, but they also provide valuable

consumer data. The consumer is testing the product quality. The result is a proven and profitable business model after about 3 years. Quality is important, but speed is more important.”

— Francis Kremer,
VP, JULI Automation

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Many of the models covered here are not completely new and have been used in other organizations around the world at some time in some form and not every corporation in China is using cutting-edge management techniques. However, some companies in China have excelled at rolling out their versions of these models at scale and have deftly enabled them with digital tools.

In traditional corporations, systems developed to manage people, corporate tasks and missions at a time when telecommunications, transportation, skill levels, the speed of production and access to key equipment were much more limited.

Unfortunately, many companies haven't yet reimagined their management structures for a world where large portions of the population have a university education and everyone is carrying powerful interconnected computers and audio-visual equipment in their pockets.

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“*I think there is a fundamental difference in how Western brands approach decision making. They can be too measured. Too careful. They take an inordinate amount of time to agree on strategy and execution. They insist on a one-size-fits-all template for running everything. Decisions are always black and white. Unbending. They are afraid to make mistakes. By way of comparison, Chinese just "do" things and fix them later. They rarely get stuck. They don't hesitate to change gears if something isn't working. Even if they are cautious about spending money, they don't worry so much about the process as much as getting things done as quickly as possible. They are always ready for rapid change. They forgive themselves for the mistakes inherent in mass experimentation and aren't afraid to try new things and take risks.*”

— Josh Gardner,
Co-Founder and CEO of Kung Fu Data

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However, some very successful enterprises have adopted new ways of doing things that work very well, especially with modern technology.

Let's unpack things.

DEDA: Digitally Enhanced Directed Autonomy

China's circumstances and strong desires to ramp up its corporate, economic, manufacturing and digital capabilities put it in a unique place where what has been dubbed digitally enhanced directed autonomy could thrive.

With evolutions in management, worker autonomy becomes a focus. Western companies have sometimes increased worker empowerment and reduced supervision. However, this approach often overlooks the roles that technology and digital platforms can play.

Some Chinese companies offer enhanced autonomy through digital platforms, allowing employees to organize themselves around business opportunities without direct managerial intervention. Digitally enhanced directed autonomy is about enabling employee autonomy across a company with the support of digital platforms while bounded by clear business objectives.

DEDA gives front-line employees direct access to a company's resources and capabilities, empowering them to independently organize around business opportunities. It adapts to the situation, monitors the degree of employee autonomy and there are clear, measurable corporate goals.

Here are some examples and versions of DEDA in practice.

Haier: The Rendanheyi Model

Haier started in the 1920s, when a Qingdao refrigerator factory was built to supply the Chinese market. In 1949, it became a state-owned enterprise. By the 1980s, the dilapidated factory had debts of over 1.4 million RMB, poor management, and lax quality controls. Zhang Ruimin, an assistant city manager, was appointed managing director in 1984.

His management style and priorities morphed over time starting with a laser focus on product quality. To drive his point home, soon after he started, he gathered workers in the factory grounds and took a sledgehammer to 76 substandard fridges.

Then a German refrigerator company, Liebherr, entered into a joint-venture contract with Qingdao Refrigerator Company. The addition of Liebherr's technology, equipment and quality management processes improved performance. The company became profitable and its name eventually became Haier. It has grown enormously since then and became globally known. Zhang Ruimin has remained the chairman and CEO.

"I believe in getting the best of both worlds, both from Chinese culture and from the West," says Mr Zhang.

"The good thing about Chinese culture is that it treats something as a whole system, the forest not just the trees." He added, "Western culture wants everything quantified... so we have also adopted some Western management concepts."

Under Zhang Ruimin, Haier developed Rendanheyi (人单合一), which can be loosely translated as the integration of producer and customer goals. It's a significant departure from traditional corporate structure. In essence, employees in self-managed, customer-focused divisions become entrepreneurs within the larger company. It dismantles divides and promotes agility, entrepreneurship, creativity, consumer focus and innovation from the ground up.

Haier is made up of numerous self-managed micro-enterprises, each acting as a startup but with access to the company's resources, enabled by digital platforms. If third parties outside the company are better solutions, the teams are encouraged to use them instead. Each team has a defined business goal based on customer needs or market gaps that it pursues. Once its project has been completed, the teams are sometimes disbanded and people are

moved into other teams. This approach encourages innovation, speed, efficiency and has customer focus and engagement built in.

In these micro-enterprises, there is "single-threaded leadership," which gives each leader a clearly defined task, budget, and timeline while reducing bureaucracy, admin and managerial distraction. This isn't new to the West as it has been used at Amazon for some time but it has been strongly adopted in China.

Decentralized decision-making promotes entrepreneurial behavior, empowering the employees who are closest to the issue to find a solution. GE Appliances, which was acquired by Haier, increased investments in digital technologies to support these significant organizational changes and enable the new way of working.

This type of decentralized leadership places more emphasis on coaching than commanding and also affects compensation and hiring protocols.

For example, after GE Appliances was acquired, Chief Technology Officer Kevin Nolan was promoted to CEO. Previously, GE had looked to finance experts and those with MBAs for this role. Nolan says that Haier wanted a technologist in charge to put an emphasis on products rather

than profits. Nolan was told by Zhang Ruimin “Tell me your plans, and we’ll get you the money.” The company also changed its hiring process to attract entrepreneurial people.

Haier’s most recent update to its model are ecosystem micro-communities (EMs). An EM is a community of micro-enterprises that uses contracts to determine the rights and responsibilities of the micro-enterprises and stakeholders. They are designed to deal with certain types of specific user needs.

An HBR article about Rendanheyi gives the example of two Haier refrigerator sales micro-enterprises in different cities that combined to form an EM. They offered zero-defect, zero-delay products and the incentive they decided on for themselves was that they would jointly earn 140,000 RMB for meeting their goal plus a 20% profit boost, and 230,000 RMB for exceeding it by 30%. They ended up exceeding by 30% and got their larger incentive.

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“Western companies can learn from how Chinese firms have become adept at swift product development and market testing, allowing for rapid iteration based on real-time feedback. By decentralizing key decisions, middle management

in Chinese companies are more empowered and this leads to increased agility. Some companies, such as Tencent and Alibaba, even cultivate a unique competitive environment where teams compete and develop parallel products to foster innovation. Lastly, to serve the appetites of demanding social commerce consumers, Chinese brands frequently collaborate to create new products and services.”

— Bryce Whitwam,
Former CEO of Wunderman China,
China Marketing and Digital Transformation Expert

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The Digital Middle

In most traditional companies in the West, typically a layer of middle management acts as the connector between top decision makers, heads of other departments and sometimes as the facilitator for access to major corporate assets such as archives, databases, warehouses, logistics and more.

This made sense when few people were able to attend university or attain mastery of complex technical skills that were needed by those in top management. It also made sense when telecommunications, travel and technology were at an earlier stage of development and people couldn't just call the head machinist at a factory or find out niche information by using a search engine.

It makes less sense now and at many companies in China, this middle layer of management has been replaced by digital platforms or tools that allow more open access to corporate resources as well as tight monitoring of project progress for smaller teams that are tasked with solving crucial problems, doing research or exploring new avenues for the business.

Typically, the structure consists of customer and partnership interfaces making up the front end, while assets such as databases, warehouses, and manufacturing plants comprise the back end. Between them is a digital middle.

As the Harvard Business Review put it in their March, 2023 article, *How Chinese Companies Are Reinventing Management*, “In essence, that platform centralizes shared services, data, and capabilities to enable decentralized decision-making.”

Alibaba has truly honed its middle by focusing on *zhongtai*, its digital middle office led by the group CTO. This platform is maintained and developed by cross-functional teams rather than IT specialists to make sure that it can cater to over 2 million merchants across hundreds of businesses.

It's also linked to other Alibaba tools like Alipay, Alibaba Cloud, Cainiao, and project management

service DingTalk among others. This is the core of Alibaba's data-driven ecosystem and its digital middle continues to evolve and enhance its flexibility and agility.

What about more traditional sectors, like insurance? Well, let's take a look.

Ping An: The Difficult Shift From Traditional to Ultra Modern

Founded in 1988, the company started as a conventional insurance company. By 2020, it was the most valuable insurance group globally. Ping An transformed from a financial services firm to a technology ecosystem, incubating 11 affiliates across five verticals with cloud-based IT systems. The company's market value has increased by over 400% since 2013.

Peter Ma, Ping An's founder and chairman, saw the rise of technology and tech companies like Alibaba and Tencent. He saw how it changed how people worked, lived, and entertained themselves. It was also becoming clear that corporations were increasingly being assessed on a wider range of assets, including data and intellectual property. These dynamics were affecting every sector and he was determined that Ping An wouldn't be left behind.

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“*Chinese entrepreneurs are setting new standards in business management, notably with skills needed in today’s and tomorrow’s VUCA (Volatility, Uncertainty, Complexity, Ambiguity) world. This is because Chinese entrepreneurs have only known uncertain, hyper-competitive market environments. Fast changing, unpredictable market environments require loosely structured, flexible management systems which can process new information quickly that are led by empowered, entrepreneurial managers who can act independently and swiftly. These skills are not exclusive to China or its companies, but HOW they are applied is something that companies in the West can learn from not just to be able to compete better in the Chinese market, but increasingly in a more uncertain world, far from China’s borders.*”

— Aldo Spaanjaars,
China veteran, Co-author of Dragon
Tactics and Owner of Dragon Strategies

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A Challenging Transition

In 2013, when cloud computing and digitization were still new, Peter Ma understood that they were the way of the future and Ping An began moving

80% of Ping An's proprietary IT systems to the cloud. MIT graduate and former partner at McKinsey, Jessica Tan, was in charge of the transition. The move was a crucial one at a time when few other companies were doing it. The company implemented advanced data analytics across businesses through its own cloud. Tan recalls that the process took time and was very painful. It was a tough challenge that would pay off in the long run. Their next move was into AI-based software services.

The company also took an ecosystem and incubator approach with an eye to efficiency and market trends. For example, with its fintech spin-off OneConnect, the company saw an opportunity to export technology and expertise. By 2020, OneConnect served all of China's major banks and more than half of China's insurance companies. In 2019, it was valued at US\$ 7 billion.

Ping An incubated 11 affiliates like OneConnect by sharing talent and experts flexibly across its new ventures, incentivizing entrepreneurship, courting third party investment, and enabling autonomy and entity specific KPIs.

Obstacles and Successes in the West

Some of the techniques and approaches discussed here are used at certain companies in the West, others are relatively straightforward to apply as long as a company decides to implement key changes. Other aspects are more problematic depending on labor laws and other regulations.

For example, in some countries, especially litigious ones with restrictive or highly detailed regulations or labor laws, it can be difficult or impossible to flexibly move personnel among teams or to have people function in multi-disciplinary roles due to job descriptions or a company's hiring process. Where regulations aren't an impediment, many managers have highly defined or specialized roles resulting from years of specialization and process optimization.

Digital transformations across corporations are intense and complex processes that may be costly in the short term and profitable entities are reluctant to change fundamental structures and procedures.

And even at companies that have already adopted these new measures, adjustments need to be made based on each organization's different circumstances. After GE Appliances was taken over by Haier, they didn't implement the Rendanheyi

elements that were incompatible with the company's current culture or that would have disrupted their core collaborative teams that had worked together for decades.

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“*In our view, China is still the best consumer story and the best global learning ground for MNCs. For example when it comes to retail channel strategies, it's about redesigning consumer touchpoints based on their shopping mission, consumer preferences online and offline, and O2O experiences. This requires a redesign of the entire business process and, more importantly, the mindset of having consumers at the center of everything the company does. Today's digital innovation can apply to all industries, but, of course, when it comes to execution, it's important to adapt what you do to local market realities.*”

— Jason Yu,
Managing Director,
Greater China at Kantar (KWP)

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But there are some examples of Western companies that have already implemented methods from these management approaches with impressive results. Amazon is the prime example as it's a digital first company that is an originator of some of the

techniques described here and is where the term "single-threaded leadership" was coined. It's also common at banks all over the world to have a front end and a back end and most people understand that when they call customer service, they may end up speaking to people in another country about their issues due to the outsourcing of entire departments.

Because of the fundamental importance of teamwork, intensely focussed team goals, and research showing that team incentives are more successful than solo ones, some companies have concentrated their efforts in this area.

Around 2012, Continental Airlines was in financial trouble. They decided to give employees a \$60 monthly bonus if the company's scheduling performance ranked among the top five U.S. airlines. This relatively small bonus improved their bottom line because employees didn't want to disappoint their coworkers.

German pharmaceutical company Bayer has implemented incentives in China that combine money and social rewards. Staff send thank you messages to each other on the company's digital platform. The messages are gamified and linked to salaries earning points and encouraging recognition.

Programs like this might be the best choice for Western companies that want to increase team unity and focus, as well as the entire company's bottom line.

This chapter examines only a few instances of new corporate management paradigms emerging from China. These models show the power of customer-focus, an entrepreneurial approach, digitization, data-driven decision making, open innovation, employee-centricity, and experimentation.

Next, we'll take a look at some lessons China can take from the West.

Looking to learn from Chinese domestic management models to power your business in China and abroad? Get in touch with ChoZan at info@chozan.co to schedule a free consultation.

CHAPTER 9

What China Can Learn From the World

Now that we've looked at what corporations, tech companies, entrepreneurs and brands can learn from best practices in China, it's time to see what businesses in China can learn from global examples.

Creating Legacy Brands

China has globally recognized brands that carry with them a sense of quality and reliability. People all over the world know about brands like Alibaba, Tencent, Lenovo, Xiaomi, Anker, Haier and others. However, most globally known Chinese brands are new and related to technology, apps, games or electronic devices.

This is testament to the country's relentless digital transformation and its mission to build global

brands with international reach and prestige. However, the newness of most of these brands means that, at times, they don't carry the same weight that legacy or luxury names do.

IBM. LV. Samsung. Nintendo. Fendi. BMW.

Alibaba. Tencent. Lenovo. Xiaomi. Anker. Haier.

The youngest company in the first list is 85 years old (Samsung). The oldest is 169 years old (LV). Three only need a few letters to be internationally recognizable.

The youngest company in the second list is 12 years old (Anker) and the two oldest are 39 years old (Lenovo and Haier).

In the first list, two companies are related to technology, one is related to gaming, one is related to high-end automobiles and two are related to luxury.

In the second list, all are related to technology, digital devices and appliances.

It will take diligence and time to accumulate the history and credibility necessary for lasting legacy brands with cultural gravity and a reputation for craftsmanship.

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“*In a way, we could say that what puts China ahead of the world when it comes to retail and e-commerce innovations is what prevents them from building premium brands:*

- *Speed when luxury requires time and patience.*
- *Pragmatism and adaptability when luxury is typically more top down in expressing itself through a consistent approach to its brand values.”*

— Sandrine Zerbib,
 Founder & Chairwoman of Full Jet &
 President of Baozun Brand Management

“*The difference between B2B SaaS solutions in China versus the West is similar to the difference between WhatsApp and WeChat. Solutions in China aim for all-in-one completeness. Usability, while still behind the West, is improving with leaders like ByteDance’s FeiShu. I believe China will eventually deliver platforms that can stand up to the best globally.”*

— Aaron Chang, Founder at Jing Digital

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Healthier Work Culture

Businesses in China certainly aren’t the only ones that can learn here and it should be said that many places and plenty of companies have something

to learn from the world's best practices when it comes to healthier work cultures. However, there are some areas where China could learn a lot from international approaches.

As China's reform era kicked in and the country saw continuous benefits and improvements in standards of living, people were very willing to put their shoulders to the wheel and spend long hours at work. People could see the benefits for themselves, their families, their communities and the country. Many were working their way out of poverty or moving from the working class to the middle class so it was worth it. It made sense to make sacrifices in the present for present and future gains that seemed assured for themselves or their children.

Although many are still willing to make trade-offs in the present for future benefits, recent years have seen waves of pushback against the country's intense, work-centric culture.

China's work atmosphere is now defined by the numbers 996. This means that most people work from 9 a.m. to 9 p.m., 6 days a week. People are tired and some have become disillusioned. There have also been high profile cases of people ending up in the hospital or passing away at their workplace because of their workaholic lifestyles

and demanding work schedules. There's even a name for people who succumb to destructive work lives - guolaosi.

In the past, people believed that making it to the middle class or improving their lot in life would mean a better standard of living in terms of working hours and working life. What they're finding, to their disappointment, is that they are on the same treadmill or a worse one, just in a nicer apartment in a nicer part of town. This became even more stark after Covid and the primary importance of health and relationships hit home for everyone.

This resulted in the "tang ping" movement. It means "lying flat". It's a rejection of societal pressures to exhaust oneself at work and overachieve. It advocates being indifferent or opting out of the rat race. It's no accident that around the time this term was becoming popular in China, during a global pandemic when everyone's priorities were being rearranged, "quiet quitting" was trending in the United States.

Tang ping is reminiscent of the slacker culture of the early 90s in some Western countries when young people in particular began to rebel against a society they saw as overly materialistic. They rejected societal expectations and avoided work or sought

jobs they enjoyed, whether they paid well or not. With fewer material worries than their parents, they could afford to explore and choose and many didn't want to work long hours at the kind of "drudgery jobs" that their parents had.

More enlightened workplaces in China have already seen that they need to offer employees meaningful work, good working conditions, a sense of community and realistic working hours. After the backlash against 996, particularly on social media, some companies instituted regulations to make workloads and working hours more reasonable. In some cases, the efforts seemed genuine. In others, stories came out indicating that it was merely window dressing and that conditions hadn't really changed.

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“*Chinese companies should start to put mental health and the work-life balance of employees first. There's no separation between job and private life. Chinese corporations should also hire Chief People Officers to ensure more effective management in HR systems, technology, and data analytics to support the business performance of the organization, develop training programs, and improve employee retention rates.*”

— Martina Fuchs, Business Correspondent, CGTN

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In addition, there have also been issues in recent years of Chinese employers in certain industries saying that they desired to have foreign employees, expertise or input. However this conflicted sometimes with circumstances that made foreigners feel unwelcome or regulations that made it difficult for them to relocate to the country.

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Overall, engaging with diverse cultures through balanced global partnerships will expose Chinese firms to varied best practices. While impressive progress has been made, continued cross-pollination of ideas through respectful collaboration is how businesses of all kinds can continue learning and growing for the future.”

— Michel Tjoeng,
Co-Founder and SVP of Sales &
Marketing at Chatlabs

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From 2018 onwards, a series of cases involving mistreatment, lower pay and lack of opportunities for female employees also came to light. The need for a change in attitudes and greater legal protections led to the October, 2022 passing of amendments to the Law on the Protection of Women’s Rights and Interests by the National People’s Congress Standing Committee.

The amendments compel companies to take gender equality seriously. This includes preventing discrimination and harassment and initiating proper investigations of complaints when they come to light. The regulations took effect on January 1st, 2023. Hopefully, this will lead to real change on the ground.

Deeply Embedded Environmental Practices

It's also important to note that corporate eco-friendly practices need improvement globally and that improving its green practices, particularly where it comes to reducing pollution in cities, has been a key focus area for China's government. This is where its emphasis on electric vehicles come from.

After China experienced its worst air pollution levels in 2013, it was imperative that action be taken. In 2014, Premier Li Keqiang declared a "war against pollution" that led to a 39.4 percent reduction in particulate air pollution by 2020. Beijing had the largest decline with 55 percent less particulate pollution. China has also rapidly improved recycling practices throughout the country, especially in urban areas.

Having said that, there's still lots of room for improvement. One of these areas is in business and commerce practices. The fact that many of China's

biggest companies are in the tech and e-commerce sector and that China now has a global fast fashion brand also complicates matters.

Sustainability is a major area of contention when it comes to fashion. Chinese brand Shein has come under fire from commentators internationally for being one of the worst offenders in this sector. Fast fashion is falling out of favor among influencers and brands are being compelled to show that they're taking action.

There are many factors to consider when it comes to the environment such as alternative packaging, recycling efforts, waste reduction, supply chain optimization and circular manufacturing processes that allow companies to put materials to good use again at a product's end of life, instead of discarding them.

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“*A large population, rapid urbanization, an emerging regulatory system, and top-down initiatives have propelled China to innovate across industries, from manufacturing and e-commerce to mobility and green energy. The world's largest high-speed rail network reshaped urban development, boosted tourism, and spurred regional economic growth while curbing congestion, emissions, and*

pollution. China also solidifies its global lead in renewable power.

Yet, innovation bears a cost. Convenient shared bikes amass as discarded relics. Easy payments and fast delivery escalate consumerism, yielding unwarranted abundance and excess packaging. The surging Chinese EV sector anticipates inevitable battery recycling challenges, a looming global issue.

China undeniably stands as an innovation, tech, and entrepreneurial powerhouse. Valuable lessons, both uplifting and cautionary, abound for the world to embrace.”

— Marian Danko,
Co-Founder of Startups Gear, Founder
of weHustle and organizer of TECOM

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Of particular concern in China, due to its water scarcity and water pollution issues, are policies to reduce water usage, eliminate water pollution, facilitate gray water usage and make water treatment a corporate requirement.

Here are some key strategies:

Promote and Reward Sustainable Practices

Sustainable practice promotion and education should be undertaken for consumers, employees,

stakeholders and manufacturers, especially consumer packaged goods (CPG) companies that make items that people use daily and that need to be replenished regularly. This kind of education leads to more responsible consumption and production.

Social and e-commerce platforms can create public awareness campaigns and educational initiatives. In addition to annual Earth Day campaigns, major digital platforms can encourage brands and consumers to be more mindful of their impact on the environment and reward participants that are committed to making meaningful strides to improve sustainability. They can also teach people how to differentiate between impactful measures as opposed to surface level or false green-washing messages.

Strengthen Environmental Regulations, Green Tech and Sustainable Supply Chains

China can strengthen environmental regulations to ensure manufacturing industries comply with strict standards, promote green supply chains, and invest in clean technologies. This includes monitoring and penalizing non-compliant companies, setting emission limits, and imposing pollution control measures. It also encompasses eco-friendly materials, reducing packaging waste, and promoting recycling.

Collaborate with International Partners

China can learn from global best practices by collaborating with international partners and organizations that specialize in sustainable development. By sharing knowledge, expertise, and technology, China can accelerate its progress. International collaboration can also help when it comes to adopting global standards and benchmarks for sustainability.

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There are three skills Chinese companies rarely master to outcompete multinational corporations globally: public relations, work-life balance and diversity. Chinese companies are often not able to appeal to overseas clients as they mostly copy-paste a Chinese old-school fact-based communication style that often lacks care, passion and purpose. They can also learn from the West to give more space and time for people to explore. A better work-life balance and mindfulness can lead to new discoveries, serendipity and in-depth analysis. Chinese companies can learn the value of slack to allow for increased creativity and ideas. China can also still learn how to create an inclusive corporate culture of diversity, which is conducive to innovation and helps build global organizations. The Chinese companies who have succeeded in

adding these three soft skill powers to their culture are Geely and Haier, but most Chinese organizations have not."

— Pascal Coppens,
Partner at nexxworks,
Author of China's New Normal

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International Cases: Sustainability Improvement and Best Practices

Unilever

Unilever, a multinational consumer goods company, has set an impressive example in sustainability practices that China can learn from. The company has made significant strides in reducing its environmental impact through initiatives like its Sustainable Living Plan. The company focused on sustainable sourcing, responsible production, and waste reduction. They actively engaged consumers in their sustainability efforts, promoting behavior change through campaigns like "Use Less. Waste Less."

Adidas

The renowned sportswear brand has demonstrated a strong commitment to sustainability, particularly in the luxury goods sector. The company has

made strides in reducing waste and improving recycling efforts. They have launched innovative collaborations with environmental organizations like Parley for the Oceans to create sportswear using recycled ocean plastic.

Patagonia

Patagonia is a famous outdoor clothing and gear brand that has made sustainability a core principle of its business. The company has implemented various initiatives to address packaging, recycling, and environmental impact. They use recycled materials in their products, such as recycled polyester made from plastic bottles.

Patagonia encourages customers to buy less often and to repair and recycle their clothing through its "Worn Wear" second hand resale and trade in program, which extends the life of their products. The brand is transparent about its environmental impact and advocates for sustainable practices throughout the industry, aiming to inspire consumers to make more conscious choices.

IKEA

IKEA, the Swedish furniture retailer, has made significant commitments to sustainability across its product range. The company focuses on sustainable

sourcing, renewable materials, and responsible production processes. IKEA strives to reduce its environmental footprint by implementing packaging solutions that maximize efficiency and minimize waste. They have set ambitious recycling targets and work with suppliers to ensure the use of sustainable materials. Additionally, IKEA places great importance on consumer preferences and perceptions, offering affordable sustainable options and educating customers on sustainable living through campaigns like "The Life Improvement Project".

L'Oréal

As a leading beauty and cosmetics company, L'Oréal has demonstrated a strong commitment to sustainability. The company has set ambitious goals to reduce its environmental impact, including targets related to packaging and recycling. L'Oréal actively seeks to improve the eco-design of its products, promoting the use of recycled and recyclable materials. The brand also engages with consumers by providing them with information on sustainable choices and encouraging responsible consumption.

Making these changes means making it easier for consumers to find and choose sustainable products.

Some marketplaces point out more sustainable options to shoppers. CPG companies are also increasingly putting claims about environmental and social responsibility on their product labels.

Implementing sustainable practices not only benefits the environment but also enhances brand reputation, attracts eco-conscious consumers, and fosters long-term business success.

Consumers in China and abroad are on the same page on this issue. A McKinsey report from the US in 2020 found that 66 percent of all respondents and 75 percent of Millennial respondents consider sustainability when making a luxury purchase. Striking a similar note, a PwC survey from China showed that 74% of Chinese respondents intentionally buy items with eco-friendly packaging or less packaging and 72% said they buy from companies that are supportive of protecting the environment.

CHAPTER 10

Learning Together

In an era when global economies are deeply intertwined, collaboration between the United States and China holds immense potential for mutual learning and growth. While the two countries have their share of differences, there are valuable lessons they can learn from one another to drive innovation, enhance competitiveness, and shape a better future.

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Hopefully geopolitical and trade tensions ease between the USA and China, to make these sorts of learning exchanges, and ultimately other forms of business cooperation, more feasible and practical than under the current protective conditions.”

— Mark Fischer,
Managing Director Fischer Sports & Entertainment
Asia, Former SVP & Managing Director at NBA China

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The COVID-19 pandemic has highlighted the vulnerabilities of global supply chains and the importance of resilience, efficiency and global cooperation.

China and the United States are the world's two largest economies, and their collaboration can lead to unparalleled economic benefits. China's vast consumer market offers tremendous opportunities for American companies to expand their operations and reach new customers. American companies possess extensive experience in market-driven economies, consumer behavior analytics, and customer-centric approaches.

American tech companies and startups are a symbol of American entrepreneurship and technological advancement. China's rise as an innovation powerhouse cannot be ignored. By collaborating, both countries can foster an environment that encourages development in emerging technologies such as AI, while promoting cross-border investment, and facilitating knowledge sharing, research and development, and intellectual property protection.

Recently, Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy said he believes that there is a multilateral

space in which the European Union and China can manage to work together for the common good.

Cultural exchanges and mutual understanding are essential for building trust and fostering cooperation. By learning from each other, countries can enhance their cross-cultural competence and navigate business environments more effectively.

During a June 2023 visit to China by US Secretary of State Antony Blinken, Chinese Foreign Minister Qin Gang lamented that "currently, China-US relations are at the lowest point since the establishment of diplomatic relations". Both Blinken and Qin then emphasized the importance for the two countries to improve people-to-people contacts, including educational exchanges and an expansion of passenger flights between the two countries.

The possibilities are immense, and it is through collaboration that China and Western countries can forge a path toward a brighter and more prosperous tomorrow for all.

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Our Digital China Books



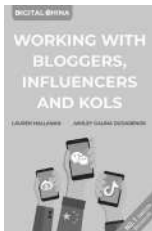
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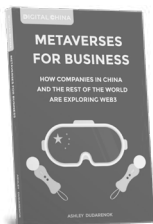
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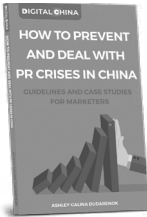
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We all know that influencers, key opinion leaders (KOLs) and social media personalities of all kinds serve important roles in marketing on digital platforms. However, the crucial role that micro-KOLs and key opinion consumers play in China's complex social media world is sometimes forgotten.



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Alarice and ChoZan 超赞 offer a variety of services for businesses that want to enter the China market or learn from it for marketing strategies and digital transformation.

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China used to be thought of as good at manufacturing but not at innovating. It's proven its critics wrong and some of its companies have developed cutting edge management approaches. We look at what's behind China's digital transformation to see what Western brands can learn from China. You'll learn:

- How China got to its current stage of digital transformation
- How Chinese brands optimize e-commerce and digital marketing
- What unique management approaches Chinese companies have developed

"Successful Chinese startups prioritize adaptability, quick production, and deep investment in influencer marketing while overseas brands often opt for a more organic strategy, risking missed growth and copycat challenges."

– **Tingyi (Jenny) Chen, Co-founder of Walk the Chat**

"Social new retail, combining social media, e-commerce and offline retail provides seamless consumer experiences and growth opportunities for retailers. As AI progresses, it will further improve the social new retail experience in China."

– **Sandrine Zerbib, Founder & Chairwoman of Full Jet
& President of Baozun Brand Management**



Ashley Dudarenok is a Chinese serial entrepreneur, award-winning digital marketer and author with a deep knowledge of China's digital world. She has been immersed in the market for well over a decade. She helps companies learn for and from China and has worked with Chinese tech giants and some of the world's most loved Fortune 500 brands.



Ron Wardle is an award-winning American APAC and Greater China executive who specializes in social and livestream commerce, branding and market entry. In over three decades of strategy development and execution, he has helped launch and scale over 150 international brands on China's complex digital, social and e-commerce platforms.



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