

My recent personal shopping experience: a real case of showrooming



Maurizio went to a **multi-brand** shop to buy a luxury design item for €1,000



Waiting for a sales assistant, Maurizio started looking for the product on the Company's website, and found out that the price was about €700



Back home, Maurizio checked online and realized there was no product availability







So he decided to send an email to the Customer Service to get info about the product and delivery times



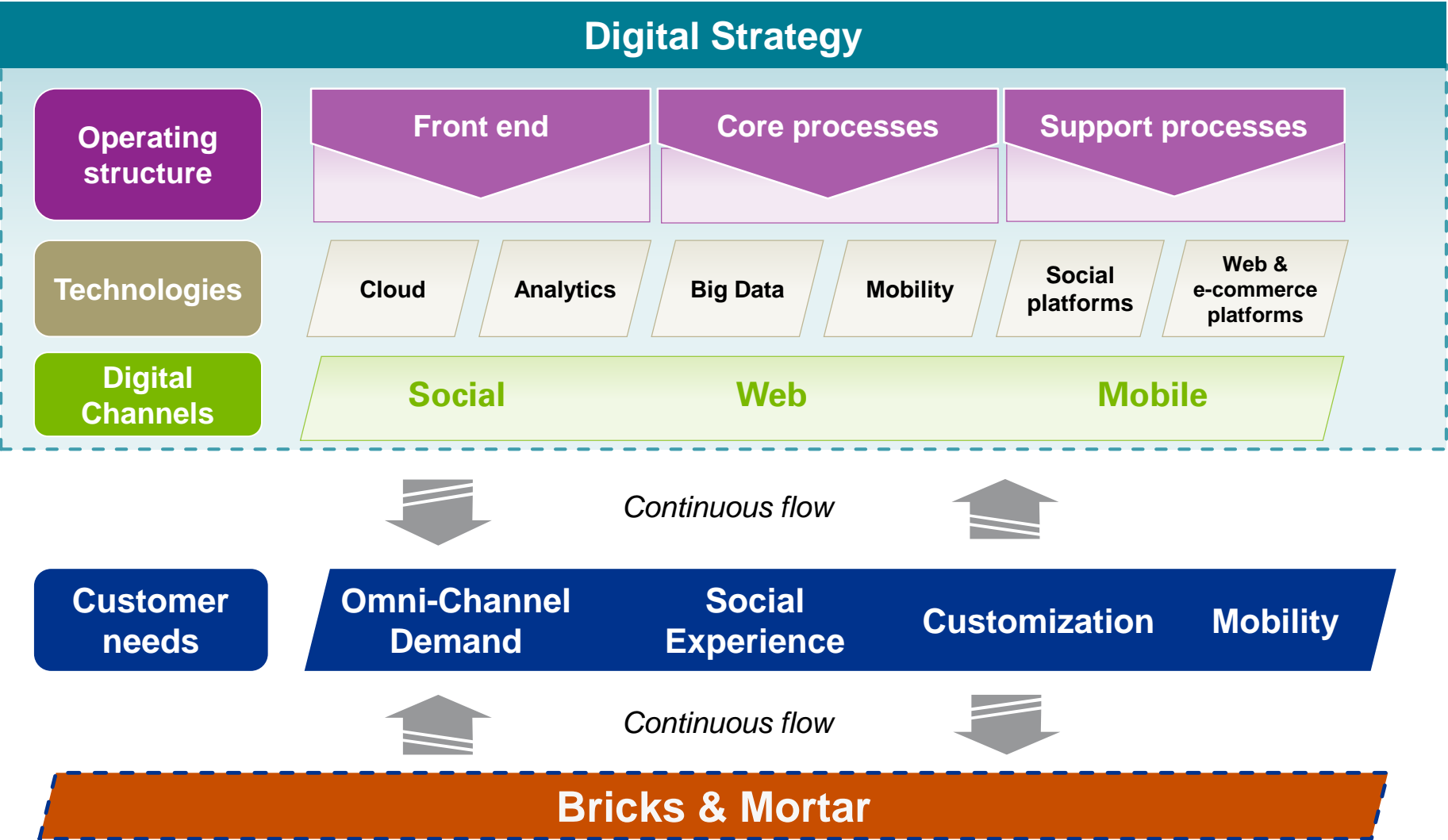
After 5 days the Company replied that he needed to wait for the product availability and it was not possible to book the product in advance



Some omni-channel champions: digital services provided in some selected flagship stores

	Book online & pick up in store	Book online & return in store	Free wifi & QR Code	Mobile access to stock	RFI equipped dressing rooms/shelves
 BURBERRY <small>ESTABLISHED 1856</small>	✓	✓	✓	✓	✓
GUCCI 	✓	✓	✓	✓	✓
ZARA	✓	✓	✓		
	✓				✓
	✓	✓	✓		

A Digital Strategy is a must to provide omni-channel services



Omni-channel impacts on sales: comments from industry experts

"...if once the digital channel was considered as an alternative retail channel, **today it is fully part of the 360° brand experience** that we aim to offer to our customers by leveraging on a **cross-channel approach increasingly integrated...**"

CEO, Bottega Veneta
Carlo Alberto Beretta

BOTTEGA VENETA

"...for us e-commerce is a fundamental of our strategy as it provides **higher operating margins** than the traditional business..."

**Global Head
E-commerce of Luxury brands**
(undisclosed company)

"...in 2014/2015 digital outperformed in all Regions:

- **+100%** sales uplift
- **+10%** conversion uplift
- **Ipads in store** generate over **25%** of digital revenues
- Collect in-store in about **200** stores including China and Japan
- Customer 1-2-1 tool in **over 450** stores in 30 countries"

Burberry

*("Preliminary Results at 31
March '15" report)*



Omni-channel enablers: comments from industry experts

"...you need to have a dedicated **digital organizational structure** to avoid disruptions...
digital organizations ask for **faster response time** from traditional operations..."

**Global Head
E-commerce of Luxury brands**
(undisclosed company)

"... We capture **customer data**:

- in about 85% of our transactions
- for 9 million customers
- from over 400 of our stores"

Chief Customer Officer, Burberry
Steve Sacks

(Commenting on "Preliminary Results at 31 March '15")



"...In early 2015, **Gucci** created the position of **Chief Consumer Officer** who heads all the channels (physical Retail, Franchisee, Travel retail, Digital, Wholesale) and the single Regions...

...the objectives are: **closer proximity to customers, faster decision making and greater operational flexibility...**"





The Chinese case

Omni-channel in China: 8 main topics

Market mapping



Offline-2-Online



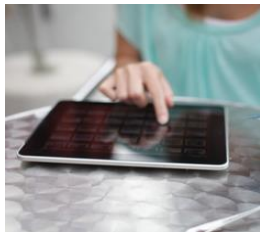
Customer Centricity



Digital Transactions



Mobile Enablement



Social Media Integration



Loyalty



Distribution and Logistics



China: key questions to be addressed (1/8)



Market mapping

China is a complex market with many players and a strong competition.

Adaptation is fundamental: business models, products & services, and operations must fit "Chinese habits and culture".

- **How to manage the growing demand arising from T2,3,4 cities?**
- **Who are the main digital players?**
- **Are there any "monopoly" issues in place in the market?**
- **Should foreign players partner with local platforms to strengthen their position?**

Customer Centricity

Put the customer at the center of operations helps ensure that all of your movements and decisions are focused on the customer experience. A "360 degree customer view" is a must.

- *What are the drivers for the purchases of your goods?*
- *Who are the main channels to online shopping?*
- *What are the top product categories purchased on your website?*



Digital Transactions

Performing transactions digitally can provide significant benefits at companies: greater knowledge about customers through transaction data analysis, improved customer experience through immediate payment processing, liquidity through prepayment are just a few.

- *What are the most used payment channels?*
- *How to integrate them in the website?*
- *How to simplify the payment processes?*

Most popular marketplace platforms for luxury goods in China



“...**everybody is on Tmall**; they pay a greater attention to prices and discounts, offering more and more advanced and complex promotions...”

Global Head
E-commerce of Luxury brands
(undisclosed company)

“...this brings to a sort of **“internal” cannibalization of sales** for those brands that, in addition to their e-commerce sites, have their SIS on Tmall.

...Brands must find ways to differentiate themselves from Tmall to reduce such competition...”

Global Head
E-commerce of Luxury brands
(undisclosed company)

China: key questions to be addressed (2/8)



Market mapping

China is a complex market with many actors and a strong competition.

Adaptation is crucial: business models, products & services, and operations must fit "Chinese habits and peculiarities".

- How to manage the growing demand arising from T2,3,4 cities?
- Should foreign players partner with locals to strengthen their position?
- Are there any monopoly issues in place in the market?
- Who are the main digital players?



Offline-2-Online

The new digital customers **no longer differentiate between online and offline experience.**

Bridging the gap between the different channels and having an **integrated omni-channel strategy** in China is key.

- What are the needs of the digital customers?
- Are Chinese web design patterns different from Western guidelines?

Customerentricity

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Some quick tips for an e-commerce website in China

1

More information than foreign website: users need to feel that the **product is genuine and site is credible**

2

Website tightly **integrated with Chinese social networks**

3

User comments and reviews have a strong impact on **purchasing decision**

4

Checkout process localized to adapt to Chinese consumer needs
(*preferred delivery date, payment with Alipay, Tenpay, Cash on Delivery*)

5

Local delivery methods, delivery tracking and return process management integrated into user account areas

6

Support mobile users and support for older web browser (*i.e. Internet Explorer 6*) that seems still to be prevalent in China

7

Mandarin language both on site and at customer service desk

China: key questions to be addressed (3/8)



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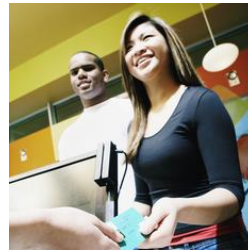
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Offline

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Customer Centricity

Placing the customer at the centre of operations helps brands to ensure that all of their improvements and activities are focused on the customer experience. Attaining a **"360 degree customer view"** is a must.

- What are the drivers for online shoppers of luxury goods?
- What are the main concerns for online shoppers?
- What are the top product categories purchased online?

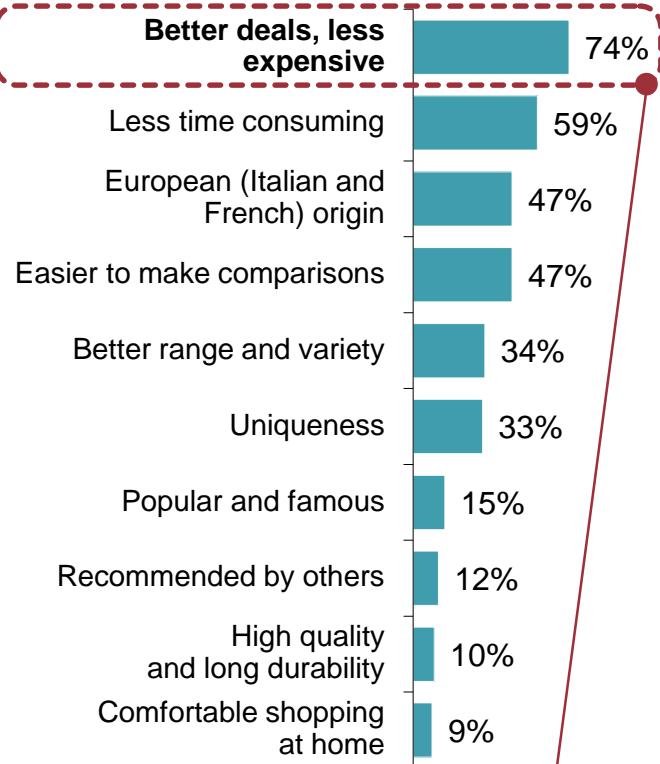
Digital transactions

Digital transactions provide benefits at greater knowledge of customers through data analysis, faster customer processing, liquidity, and immediate payment are just a few.

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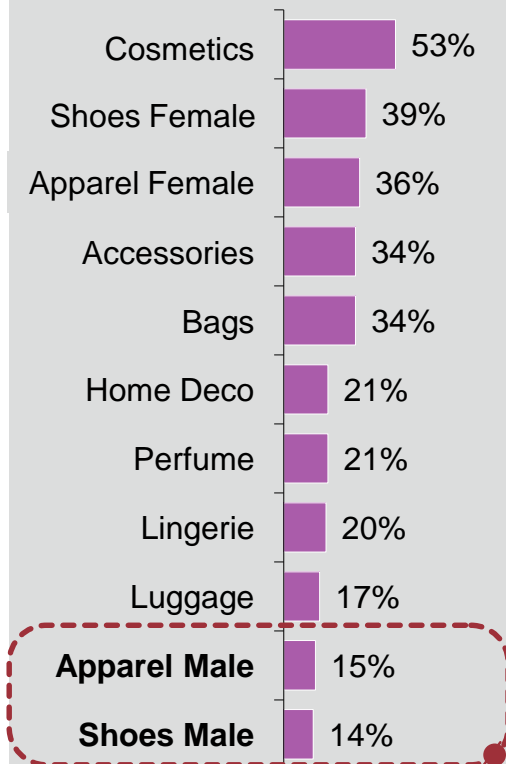
Online shopper attitude for Premium & Luxury in China

Drivers for purchasing online



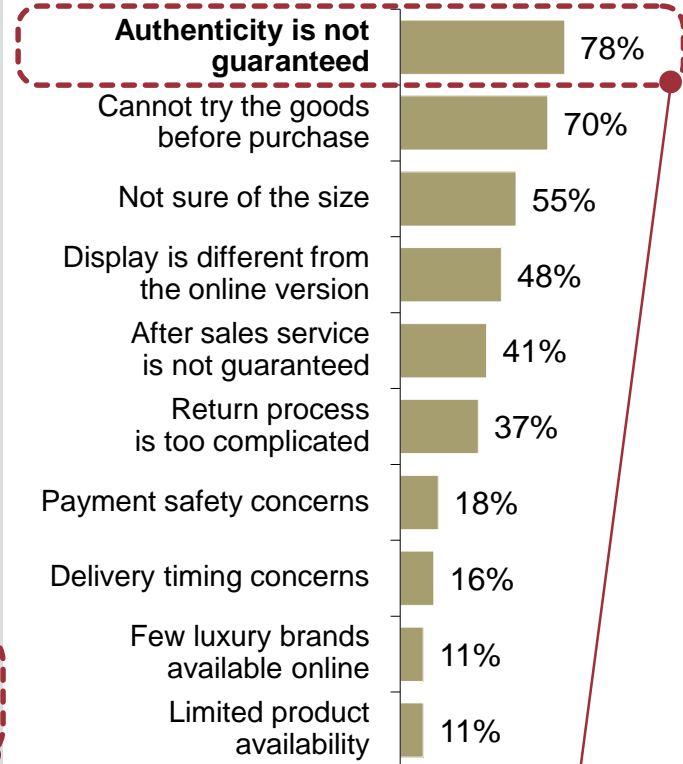
Chinese customers search for internet bargain

Top categories



Still low traffic for Menswear

Concerns when purchasing online



Confidence in product authenticity drives purchasing

Source: KPMG China's Connected Consumers survey on 10,150 consumers

China: key questions to be addressed (5/8)



Mobile Enablement

China has the greatest use of mobile on both tablet and smartphone in the world.

The mobile channel enables greater interaction with the consumers.

The potentials for localisation based services and increased insights are immeasurable.

- **What are the trends of mobile utilization?**
- **Is mobile channel used to purchase luxury goods?**
- **Are strong mobile commerce capabilities needed?**

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Loyalty

Gaining additional sales through consumer loyalty is a hot topic.

Utilisation of the mobile platform is significantly increasing its value providing a 2-way communication mechanism.

- *How does the CRM model change?*
- *Are there different web marketing logics & tools to better interact with customers?*



Distribution and Logistics

*Getting the product into the hands of the customer is a key component of achieving the strategy. Whether providing store collection services or direct delivery, **integrated supply chain and back office will be needed and tailored to China.***

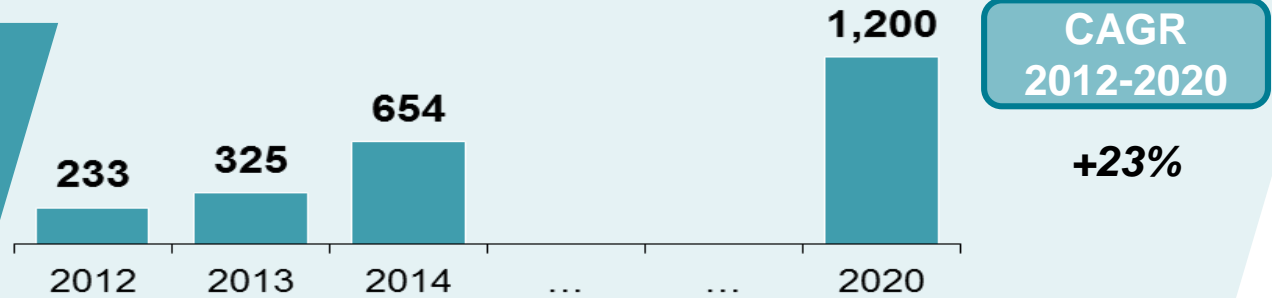
- *Which are the supply chain issues in remote areas?*
- *Can 3rd Party Logistics deliver with the requested service levels?*
- *Who are the main reliable players?*

Mobile enablement

Mobile shopping trends in China

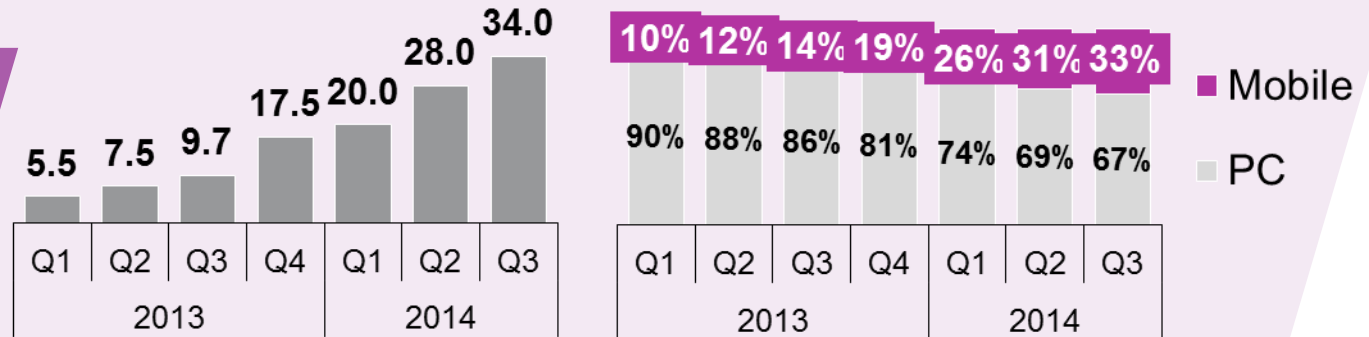
Government guidelines to increase 3G/4G coverage to accelerate e-business

Users 3G/4G (#million)



China mobile shopping market

Total transactions (€bn)



M-commerce growth

In 2014, total shopping value of mobile payments in China are expected to exceed €120 billion

Overall mobile transactions showed an increase of **390%** in 2014 compared to the previous year

Source: KPMG analysis on China Internet Watch data (28 Nov 2014)

China: key questions to be addressed (6/8)



Mobil
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Social Media Integration

China has the gre
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Social media provides numerous potential opportunities when used in the right way, but no Facebook, no Twitter and no Youtube in China.

Understanding the Chinese Social Media landscape is vitally important for anyone trying to engage Chinese consumers and is required for entering or expanding in the China market.

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- **How does customer behaviour change in China?**
- **How to change/adapt the social media strategy for China?**

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Social Media integration

The main social platforms in China

 **Social+Instant messaging**



Over **500 million** registered accounts

Part of **Tencent Group** (13bn\$)

 **Social Network**



Over **800 million** registered accounts

Part of **Tencent Group** (13bn\$)

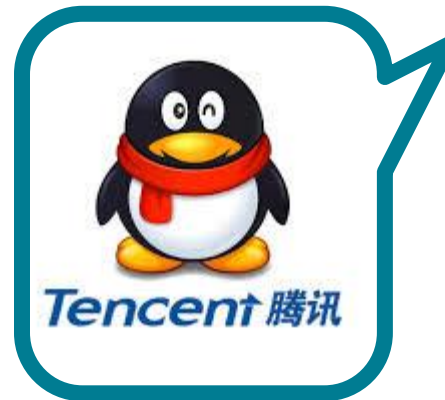
 **Micro-blogging**



Almost **250 million** registered accounts

340 mn\$ revenues in 2014

 **Instant messaging**



Over **600 million** registered accounts

Part of **Tencent Group** (13bn\$)

WeChat features provided in China

Interview with Andrea Ghizzoni, EU Director WeChat

"...WeChat was developed as an instant messaging application, with a **back-end that can be easily integrated with Official Brand platforms** to provide services to their costumers..."

"...In China WeChat was pioneer in **integrating QR codes with an instant messaging application...**"



"...WeChat doesn't provide e-commerce services, but **enables mobile service payments directly integrated** with the Official Brand e-commerce platforms..."

"...**Pull system** that becomes push once the follower accepts the invitation....then you can start a **One-to-One communication** with Brand followers..."

Source: interview and info provided by WeChat Tencent on 22 May 2015

Strategic intents about WeChat of some Fashion brands

"...by fall we will launch our **WeChat platform** aiming to increase the engagement of the Chinese customers by highlighting the **emotional dimensions** of the brand while sharing brand news and product information...."

CEO, Bottega Veneta
Carlo Alberto Beretta

BOTTEGA VENETA

"...we want to leverage WeChat in order to **inform younger customers** about the brand, to **describe** the product features and to **communicate** the brand heritage..."

General manager, Hogan
Riccardo Sciutto

HOGAN

China: key questions to be addressed (8/8)



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Distribution and Logistics

Gaining through a hot to Utilisatio platform increasir a 2-way mechani

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Logistic business models used by some Marketplaces:

INSOURCED

Set up their own logistics facilities

e.g. TAOBAO(1), NEWEGG(2)

OUTSOURCED

Outsource to local logistics companies

e.g. TMALL (3)

HYBRID

Customized approach depending on customers' location and product type

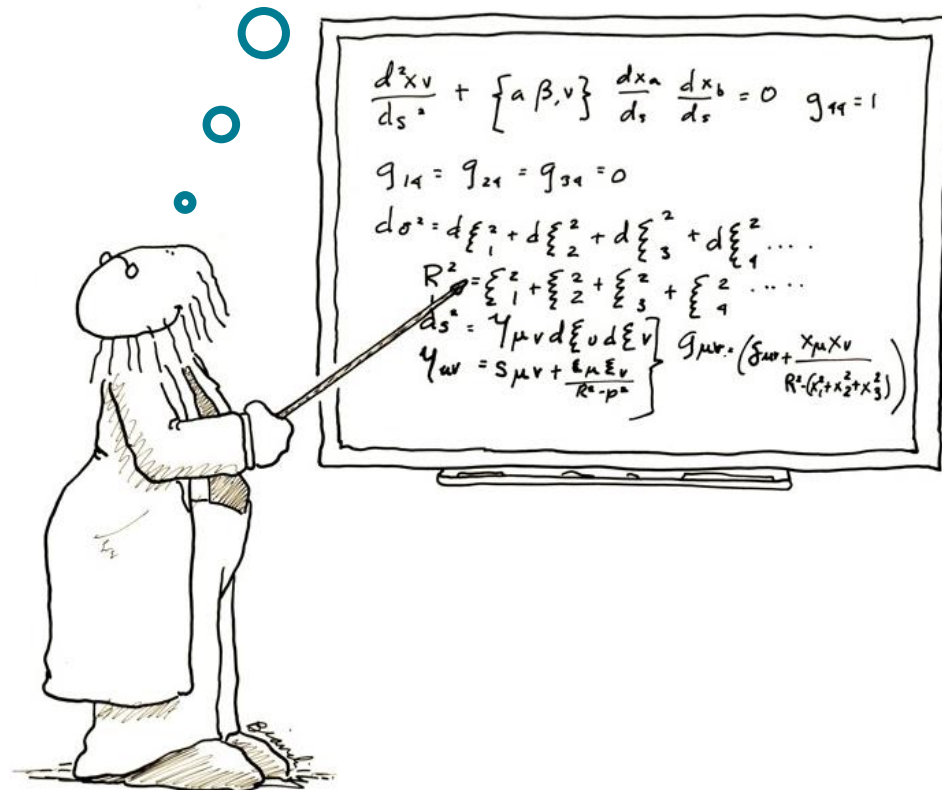
e.g. VANCL(4), AMAZON, JD(5), YIHAODIAN(6)

Main issues in the logistics market in China

- High delivery lead times
- High logistics costs
- Complicated return procedures
- High level of damages & losses
- Quality issues (in terms of packing, handling, ...)
- Low level of technology (Tracking, visibility on stock, ...)

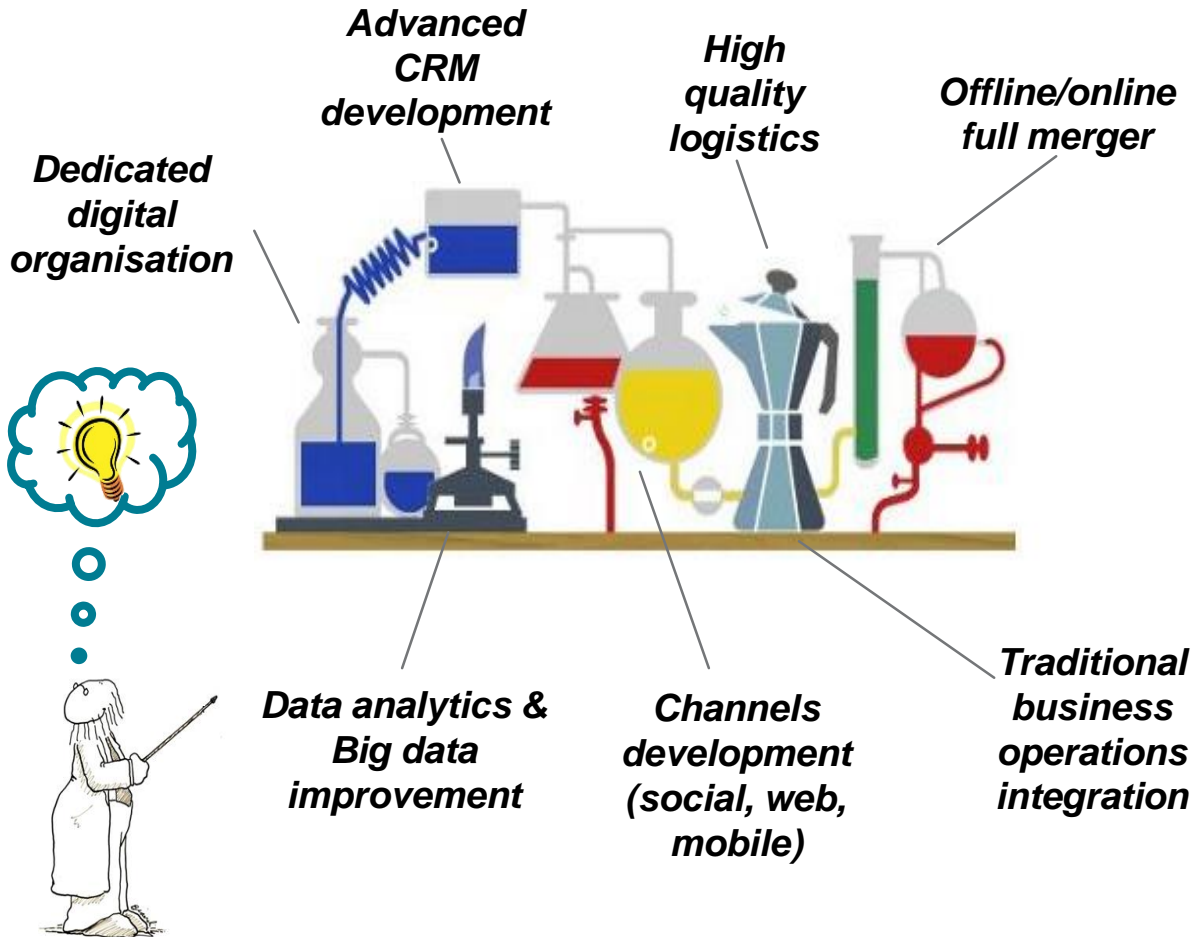
- (1) Taobao is Alibaba's C2C site (Chinese equivalent to Ebay)
- (2) Newegg is an online retailer of computer hardware and software
- (3) Tmall is Alibaba's B2C site, similar segment as Amazon
- (4) Vancl is an online clothing & apparel company
- (5) JD is an online platform focused mainly on electronics
- (6) Yihaodian is an online grocery business

How to solve the omni-channel equation (1/2)



How to solve the omni-channel equation (2/2)

Digital Strategy



Omni-Channel



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cutting through complexity

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