Back to the core: Reinvigorate experience-driven retail at a time of uncertainty

2019 Global Consumer Insights Survey China report

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New Retail in China is evolving. In the beginning of 2019 we witnessed the debut of the country’s first comprehensive laws on eCommerce. For retailers and consumers in China this legislative change represented a big step towards fostering a healthy and favourable operating environment and a more secure and trustworthy online marketplace. Recently the country raced ahead in the commercial deployment of 5G technology by granting four 5G licences to major telecom operators, ushering in the start of the 5G consumer era. Meanwhile, Amazon decided to retreat from the Chinese market by pulling the plug on its online marketplace, citing severe competition from domestic incumbents such as Alibaba and JD.com.

All these events took place against a rather unstable macro-economic backdrop. In China, the total retail sales in 2018 posted slowest growth in the last 15 years. China-US trade tensions recently flared up with increases in tariff measures and other barriers. Chinese consumers are faced with an uncertain future; their worries include slower increases in living standards, job losses and lower incomes.
In last year’s report, we examined the development of “New Retail” and provided insight into the how’s and why’s of retail value chain transformation via digitisation. With further insights gained from this year’s data and conversation with clients, we expanded the New Retail narrative with a focus on how organisations can make customer centric solutions work for them. We look at present-day customer experience trends and how they in turn are supported by organisations implementing them, and what needs to be changed to make customer experience (CX) part of their winning strategy.

PwC’s 2019 Consumer Insights Report has revealed an exciting and vibrant retail space in transformation. 68% of Chinese consumers surveyed purchase products online at least once a week. Thanks to extensive mobile connectivity and established technology infrastructure, digital-savvy Chinese consumers tend to accept and embrace emerging technologies to a greater extent than their global counterparts. Technology enablement consequently fuels the hunt for new experiences that integrate digital into the offline environment. Close to 40% of Chinese respondents said their in-store experience would be enhanced by the use of technology including IoT scanners, tablet and mobile checkout, and self-service kiosks.

Excitement aside, China is poised to remain one of the most important yet challenging consumer markets that many retailers simply cannot afford to ignore. Chinese consumers are increasingly discerning as they continue to demand better customer experience. Thriving in this unique battlefield would require a fundamental shift towards an agile, adaptive, and cost-efficient consumer-centric model, from strategy formulation to execution. To this end, this report will offer an insightful deep-dive, backed by proprietary data, into some of the best practices of industry participants in their journey to compete and thrive in the era of experience-driven retail, particularly at a time of uncertainty.

In the face of macro-economic headwinds, Chinese consumers nonetheless demonstrate resilience with their spending power. Home to 1.4 billion consumers and a burgeoning middle class, the country still boasts the world’s largest eCommerce marketplace. It is currently set to overtake the US as the leading retail market by 2019. China’s 2018 11/11 Single’s Day, the world’s largest yearly online shopping event exceeded the sale volume of previous years setting a new record of $US 31 billion in total sales volume on Alibaba’s Tmall, more than double that of Cyber Monday and Black Friday combined.

That being said, what do these changes in the macro setting mean for the country’s millions of small and large retailers? How should the business community prepare for a future characterised by supply chain disruption, consumer preference for experience, and rapid adoption of emerging technologies?

Figure 1: T-mall 11.11 vs Black Friday vs Cyber Monday, Gross Merchandise Value (GMV) ($US billion)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>T-mall Singles’ Day</td>
<td>5.1</td>
<td>8.5</td>
<td>13.6</td>
<td>18.0</td>
<td>25.1</td>
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<tr>
<td>Black Friday</td>
<td>2.4</td>
<td>3.0</td>
<td>5.7</td>
<td>6.6</td>
<td>7.8</td>
</tr>
<tr>
<td>+ Cyber Monday</td>
<td>2.7</td>
<td>4.3</td>
<td>10.0</td>
<td>5.0</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>CAGR (2014-2018)</strong></td>
<td>39%</td>
<td>27%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>YoY (2018 vs. 2017)</strong></td>
<td>5.7</td>
<td>4.3</td>
<td>10.0</td>
<td>6.6</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Alibaba, Adobe Analysis and PwC Analysis

Buyer Behavior from 2014-2018:

- T-mall Singles’ Day
  - 2014: 5.1 billion
  - 2015: 8.5 billion
  - 2016: 13.6 billion
  - 2017: 18.0 billion
  - 2018: 25.1 billion

- Black Friday
  - 2014: 2.4 billion
  - 2015: 3.0 billion
  - 2016: 5.7 billion
  - 2017: 6.6 billion
  - 2018: 7.8 billion

- Cyber Monday
  - 2014: 2.7 billion
  - 2015: 4.3 billion
  - 2016: 10.0 billion
  - 2017: 5.0 billion
  - 2018: 6.2 billion

According to PwC, China’s 2019 11/11 Singles’ Day sales exceeded the previous year’s total sales volume on Alibaba’s Tmall, more than double that of Cyber Monday and Black Friday combined.

Source: PwC, Alibaba, Adobe Analysis

1. China to issue 5G licenses soon, 4 June 2019, China Daily
   http://www.chinadaily.com.cn/a/201906/04/WS5c5f5460ca3f051914z70d0b.html

2. Amazon, facing entrenched rivals, says to shut China online store, 18 Apr 2019, Reuters

Back to the core: Reinvigorate experience-driven retail at a time of uncertainty.
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- Consumers are still resilient albeit economic uncertainty
- Smart experience in demand driven by technology
- Dichotomy of consumption: upgrade vs downgrade

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- Back to business fundamentals as growth matures
- New Retail evolves with laser focus on front-end experience and operational efficiencies
• Let ROX be part of your winning strategy
  • Applying the Return-on-Experience (ROX) approach
  • Start your ROX journey now

Methodology & respondents' profile
Market forces redefining the New Retail space
Consumers are still resilient albeit economic uncertainty

The global economic outlook remains uncertain due to lingering impacts of the China-US trade disputes. China’s economy is losing momentum: in 2018 the annual GDP growth rate fell from 6.8% to 6.6%, marking the lowest growth since 1990. Further adding to the uncertainty was the lower-than-expected growth of overall retail sales in 2018, up only 9% from last year, marking the lowest growth pace since 2004.

Chinese companies at large, including those in the consumer sector, are experiencing a multitude of threats such as, shifting consumer behaviour, availability of key talents, and increasing speed of technological changes. The impact of supply chain disruption on business operations has also proliferated in the midst of persisting trade protectionism. Many retailers are altering their sourcing strategies to diversify risks.

Of course, Chinese consumers are not immune to these levels of volatility in the economy and financial markets. The monthly consumer confidence has wildly fluctuated since the onset of the China-US trade dispute in the first half of 2018, reflecting the emotional swings among the general public as they assess how markets, job opportunities and income would be affected.
To cushion the impacts of the heightened trade situation, China has taken proactive measures to accelerate the transition towards a consumption and domestic-driven economic model. For example, the government unveiled in June 2019 a two-year plan to promote domestic purchase of consumer goods ranging from new energy vehicles to smart home appliances. Also, the rollout of 5G telecommunications network is likely to boost expenditure of consumer electronics and mobile handsets.

In a similar move to revive consumer spending and investment, Chinese government has unveiled a raft of stimulus measures including reduction of taxes and introducing favourable business regulatory policies. To spur consumer demand increase and investment in private sectors, China has introduced reductions in value-added tax (VAT), postal tax, and individual income tax (IIT). It has also lowered social insurance contribution rate for employers, while issuing a new customs rule for royalty payment reporting.

As a result of these policy changes, China’s domestic consumption is likely to keep growing at a healthy trajectory despite short-term jitters caused by international trade tensions. Domestic consumption’s contribution to GDP growth in China has steadily risen over the past several years to almost 80% in 2018, compared to just below 50% in 2014.

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3 China unveils 5G and NEV spending action plan to boost consumption to cushion US trade war impact, 6 Jun 2019, SCMP

4 China Preps More Stimulus Measures to Aid Consumption Recovery, 4 Apr 2019, Bloomberg
In our Global Consumer Insights Study, the proportion of Chinese respondents who make a purchase online at least once-a-week has risen by 7% (compared to 2018 results) to 68%. Similarly, the share of respondents who never shopped online has fallen to less than 1%, from 7.5% just a year ago. These figures demonstrate the extent to which Chinese consumers expect digital solutions as part of their day-to-day shopping experiences.

Figure 6: On average, how often do you buy products online?

Source: Global Consumer Insights Survey 2019 China report

“Mobile First, Digital Everything.”
— Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co.
When compared with other major economies, Chinese consumers adopt a "mobile-first" approach in their purchasing behaviour and are more likely to welcome new technologies as part of their everyday lives. In fact, mobile phones are still the go-to technology for online shopping, with 55% of our China sample using a mobile phone to shop at least once a week, compared with 30% using a PC and 31% using a tablet. Also, a large portion of the surveyed Chinese respondents already own or plan to purchase smart devices such as smart home entertainment (83%), smart wearables (79%) and smart appliances (77%). Chinese consumers are more adventurous and open in their pursuit for a seamless, convenient lifestyle enabled by smart technologies.

![Figure 7: Consumer who buy products (e.g. clothes, books, electronics) daily or weekly using the following shopping channels](source: Global Consumer Insights Survey 2019 China Report)

![Figure 8: Which, if any, of the following smart home devices do you currently own or plan to buy in the future?](source: Global Consumer Insights Survey 2019 China Report)
To the same extent that digital technologies are “spoilng” today’s consumers, brands and retailers are equally keen to apply these technologies to facilitate a better experience for the customers. For example, eCommerce powerhouse Alibaba introduced “Tmall Luxury Pavilion” dedicated to high-end brands, and was able to offer integrated omnichannel services such as consumer finance solutions that leverage new blockchain technology to enhance traceability and authenticity of products.\(^5\)

Beyond eCommerce, digital-savvy consumers in China are also more open to digital services. For example, Chinese consumers don’t shy away from online financing. In our survey, 31% of Chinese respondents said they have purchased wealth management product online in the past 12 months, 27% of respondents acquired insurance policy, and 19% of respondents conducted online financial planning.

Along with the convenience of mobile payments, a flourishing FinTech sector in the Mainland has helped boost consumer spending by making financial services more accessible while lowering their cost. For instance, Jingdong white stripe, a service offered by JD.com, is a short-term financing tool that provides small amounts of credit to buyers coupled with an interest-free period.\(^6\) Similarly, Huabei, available on Taobao.com and Tmall, offers deferred payment options. The above examples illustrate that Chinese companies, including those in traditional sectors like financial services, have become fertile grounds for innovation and new business models to flourish. As China’s consumer behavior evolves, so will their expectations. The trend of staying ahead of the game in a pursuit to continuously augment one’s offering thus creates a very solid foundation for innovation and launch of disruptive business models.

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Chinese consumers are upgrading their purchases as they move up the consumption value chain. Engel coefficients, which measure the proportion of income spent on basic necessities, is used by the UN as a proxy to measure a country’s level of affluence (with a decline indicating an increase in affluence). China’s score improved from 29.3% to 28.4% in 2018 as consumers continue to benefit from higher disposable income, according to National Bureau of Statistics.

During the same period, the percentage of service-oriented consumption as part of total domestic consumption increased from 39% in 2013 to more 44% in 2018. Chinese consumers are spending more and trading-up for a better quality, more expensive products.

This is substantiated by the fact that overall domestic expenditure on luxury goods - including experimental luxury goods, fine wines and spirits, sports cars, and jewelries - has seen accelerated growth of 13% from 2016 to 2018, compared to 7% from 2014 to 2016.
Current economic trends and demographic data indicate that China’s lower-tier cities will be the new drivers of consumption growth as the middle class benefits from increase in disposable incomes and broader access to products and services. Lower-tier cities also benefit from relatively lower housing costs, effectively unleashing consumption potential on more discretionary items.

We are witnessing how rapidly aggregate spending in lower-tier cities drives overall consumption growth in China: rate of consumption growth in tier 3 or 4 cities is outpacing those in tier 1 cities.

In the past a lot of media coverage have linked China’s growth to tier 1 cities (mainly Beijing, Shanghai, Guangzhou and Shenzhen). In doing so they have lost sight of the massive potential contained in China’s lower-tier cities. By 2030 we estimate 3X growth in household consumption originating from tier 3 cities and below, of which the net gain alone will surpass today’s consumption market.
From a structural perspective, expenditures in tier 3 cities are more robust and diverse since consumers have higher proportion of disposable income to spend. According to a 2018 study conducted by Morgan Stanley, housing spend is recognised as the top expenditure in tier 1 and tier 2 cities. While in tier 3 and tier 4 cities, housing spending is only ranked #4, with daily necessities, education, and discretionary consumption (travel, dining, healthcare, etc.) ranked in the top 3. Overall, it is estimated that consumption in lower-tier cities will triple to $US 6.9 trillion by 2030, while consumers in smaller cities are catching up with tier 1 and tier 2 markets in valuing quality over price.

In a recent report from AliResearch Institute, of the 200K new products launched on Tmall last year, 44% of the sales came from Tmall users residing in lower-tier cities. Research also shows that consumers living in third and lower-tier cities exhibited high levels of activity across major online platforms, including Tmall and JD during 2019 Chinese New Year.

In fact, Alibaba’s platforms boasted an increase of 100 million new annual active users in 2018, of which 70% resided in less developed cities. To further capture demand from these geographies, Alibaba launched this year’s 6-18 mid-year shopping festival to specifically help brands and merchants on Taobao and Tmall tap into smaller cities and rural areas with 1.5 million products and heavyweight promotional offers. Meanwhile, Luxury Pavilion, Tmall’s dedicated channel for luxury and premium brands, saw over half of its total sales generated outside of the country’s first- and second-tier cities.

In this year’s global consumer insight study, we observed trends where survey respondents in tier 3 cities demonstrate a higher “willingness to pay” when compared with those in tier 2 cities across different categories. This major shift in consumption towards higher ticket items such as health and wellness products and travel means that people in less developed cities are increasingly seeking an upgrade in quality of life and experience, which for well-established brands, represents a lucrative “blue ocean” segment to get into.

1 "618 Mid-year Shopping Festival” from Taobao and Tmall Empowers Brands to Go Deeper in China, 3 Jun 2019, Bloomberg
https://www.bloomber

2 E-commerce giants eye rich pickings in lower-tier cities, 30 May 2019, ChinaDaily
http://www.chinadaily.com.cn/a/201906/05/WS5c71c25a11061914270117e.html

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**Figure 16: Top expenditure in tier 1 and tier 2 cities, 2018**

1. Housing
2. Monthly Essentials
3. Discretionary and Lifestyle
4. Education

**Figure 17: Top expenditure in tier 3 and tier 4 cities, 2018**

1. Housing
2. Monthly Essentials
3. Discretionary and Lifestyle
4. Education

**Figure 18: Thinking of the majority of your purchases across the following categories, please indicate whether you tend to buy premium price ranges.**

- Health and wellness products: Tier 2 43%, Tier 3 45%
- Clothing and footwear: Tier 2 32%, Tier 3 37%
- Travel: Tier 2 25%, Tier 3 28%

Source: Morgan Stanley
Source: Global Consumer Insights Survey 2019 China report
While we see a general trend towards consumption upgrade, we’ve also observed the emergence of “consumption downgrade” in pockets of the economy where consumers exhibit higher price-sensitivity and greater preference for value and utility.

This interesting phenomenon can be explained at two levels. One explanation is the slowdown of economic growth has put spending pressure on individual shoppers and businesses. As a result, consumers naturally seek out and demand more value for their purchases.

The customer maturity perspective offers another explanation. Chinese consumers are becoming more sophisticated and educated about the products they buy. They spend more time to research and are making more informed purchasing decisions. Consumers are no longer buying products purely because of “brand prestige”. Instead they now prioritise quality and utility over fancy slogans or celebrity endorsements.

In the recent past, owning an iPhone meant being affluent and Apple attracted long lines of eager consumers prior to every launch. Apple was known for being the brand that consumers would pay for no matter the cost. However, when Apple launched iPhone 8 in China, the number of phones sold during the first 4 days was 46% less than the previous model. Moreover, iPhone 8 only accounted for 16% of total iPhone sales in the first quarter after its launch, which was much lower when compared to iPhone 7’s 43%. This coincided with consumers downgrading their expenditure on high ticket items like mobile phones as they find more affordable substitutes from domestic brands.

The highly stratified nature of the consumer market means that there is no one-size-fits-all approach in catering to the diverse needs of Chinese consumers. Retailers who can identify and implement a customer-centric approach to better serve an untapped niche segment will, therefore, succeed in capturing shares. We believe that the dichotomy of consumption upgrading and downgrading represent both challenges and exciting opportunities for retailers.

The viral growth of PinDuoDuo is just one of the many examples where companies targeted the value-seeking segment of the market. The rising popularity of PinDuoDuo and similar platforms show how some Chinese consumers shy away from pricey products and are more inclined to seek out product substitutes at lower price.

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Rediscovering new opportunities in experience-driven retail
After years of aggressive growth, the retail market has matured into a more rational, value-driven, and experience-focused format that demands a corresponding change in retail strategies. In a world where moderate growth is the new normal, this has prompted industry participants to go back to the basics and refocus on business fundamentals—i.e. enrich front-end experiences and optimise back-end operations. With all the economic and market forces currently at play in reshaping the New Retail arena, brands and retailers are trying to find a delicate balance between consolidating existing capabilities and making strategic investments to enable New Retail.

To ensure the long term sustainability of their business, retailers now look for organic growth opportunities — as opposed to fast-paced expansions through M&A. Emphasising on cost management and profitability, businesses now prioritise operational excellence, product design, and inventory management to optimise cash flow.

There is no shortage of examples of retailers pursuing a more defensive, consolidative strategy. For example, to revert losses from years of over-expansion, the iconic sportswear brand Li Ning divested unprofitable businesses and shut down roughly 2000 stores over a 4-year period. At the same time, they streamlined their inventory management to reduce inventory from 108 days in 2014 to 78 days in 2018.⁹ They also redesigned their product lines to appeal to the younger generations of Chinese consumers.

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⁹ 安信国际: 李宁(02331)业绩超预期 增长潜力巨大. 28 Mar 2019, Sina Finance
Experiences matter to Chinese consumers. Aware of the fact that there is no silver bullet, companies are becoming more selective in how they deploy New Retail solutions to accentuate their competitive advantage. Rather than experimenting with "blue sky" innovations (where real-world applications are not immediately apparent), retailers are more focused on aligning innovations with strategy, and prioritising quality of change over quantity. This approach allows companies to partake in the New Retail revolution while taking a safer, more pragmatic approach. Focus is placed heavily on customer-centric solutions supported by organisations core capabilities and driven by consumer insights.

In our report last year, we introduced a framework to visualise the digitisation of New Retail value chain. The framework outlines a consumer-centric approach to enrich customer experience that is supported by smart supply chain solutions and enabled by technology and big data. In this year’s report, we will share recent observations and selected examples of what brands and retailers are doing to digitise the retail value chain.

“By enhancing the customer experience at the layer that allows interactions with consumers — the web store, the mobile interface — YNAP finds that customers spend more time and money shopping with them.”

— Enrico Cavatorta, CFO of Italian luxury fashion online retailer YNAP.
Sales and marketing are pivotal consumer touchpoints in today’s retail experience. The more attuned the sales channel is to the customers’ needs, the more rewarding the shopping experience will be. Our research shows that customers value a simple and efficient shopping experience that centres around the seamless integration of online and offline channels. The integration of digital technologies is pivotal in serving to remove consumer pain points, versus creating them. To offer better experiences and win over loyal customers, brands are now ready to embrace disruption. For example, they are advancing differentiated channels, cross-over events, pop-up stores and targeted digital marketing among other tactics.

### Previous Observations in New Retail

<table>
<thead>
<tr>
<th>Mission</th>
<th>Prev. Observations</th>
<th>Recent Observations</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping</td>
<td>Entertainment led with an increasing emphasis on hard to find, distinctive or niche</td>
<td>More experience-driven with a focus on creating resonance with products and brands.</td>
<td>CHANEL’s &quot;Coco Café&quot; with free makeup trials paired with interactive assets – realizing an Omni channel shopping experience and building Brand recognition.</td>
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<tr>
<td>E-Commerce</td>
<td>Large platform increasingly curating content and new players emerging which focus on</td>
<td>Further diversified e-commerce sales channels, with a focus on social retail.</td>
<td>TikTok, and Kwai leverage UGC to boost sales through viral social media.</td>
</tr>
<tr>
<td>Channels</td>
<td>connected and offline formats.</td>
<td></td>
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<tr>
<td>Metrics</td>
<td>Focus on value and performance media including end-to-end ROI and multi-channel</td>
<td>Further leverage data and algorithms creating more targeted marketing and boost</td>
<td>H&amp;M collaborates with TMALL to achieve personalised marketing – promoting</td>
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<tr>
<td>Formats</td>
<td>Exponential increase in digital content emphasis on ultra-short formats, live</td>
<td>More emphasis on digital formats over traditional marketing exposure or specific</td>
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### Marketing

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Front-end excellence alone is not enough to succeed in today’s New Retail battlefield, where customers critically evaluate every small detail along their purchase journey. Thus, Chinese retailers are closely examining all aspects of their operations - from developing products and building highly efficient supply chains, to significantly improving their sourcing and production performance.

“Our latest Blockchain initiative on T Mark is one of the splendid exemplars of how we disrupt the industry standard. As a visionary jewellery titan, I think the transformation is an endless journey that edges us to keep pace with times and stay at the forefront of the disruptions so as to deliver a seamless and unique customer experience.”

— Dr Henry Cheng, Chairman of Chow Tai Fook Jewellery Group Limited
### Supply Chain

**Previous Observations in New Retail**
- Operation and Infrastructure: Provide extended offerings and services towards new business model, and integrating vendors towards a shared supply chain infrastructure.
- Data visibility: Visibility to enhance inventory planning to increase channel flexibility and effectiveness.

**Recent Observations on More Focused Approach**
- Operation and Infrastructure: Enhanced flexibility to support Omnichannels by optimise warehouse and inventory collaboration.
- Data visibility: Strengthened capabilities to collect and analyze data to across the full value chain from production to warehousing to handing over to end consumers.

**Examples**
- Nestle leverages Cainiao as part of its distribution network, and adjust replenishments based on sales and inventory data from Alibaba.
- Uniqlo uses front distribution centers (their offline stores) as warehouses to supply nearby customers.
- JD launches digital supply chain solution to achieve supply chain optimization, for instance forecast analysis, warehousing network optimization, and staff-less delivery.

### Sourcing and production

**Previous Observations in New Retail**
- Forecasting And Planning: Data driven demand management including joint forecast with customers, and application of machine learning.
- Production: Greater data availability enabling differentiation via modular productions and mass personalization.
- Quality and Trust: Traceability is becoming a differentiator enabling complete assurance of origin and supply chain.

**Recent Observations on More Focused Approach**
- Forecasting And Planning: Further data-driven forecasting in both supply and demand side to optimise inventory management.
- Production: Increased adoption of data-driven insights and production capabilities from MNCs and local brands.
- Quality and Trust: Wider adoption of technology applications and data in sourcing and production.

**Examples**
- Suning launches B2B smart sourcing platform – creating a better supply and demand balance between vendors and companies.
- Jiang Xiao Bai, a Chinese local liquor brand, produces differentiated packaging with customizable slogans.
- Walmart introduces digital invoice based on block chain technology to guarantee authenticity.
Let ROX be part of your winning strategy
As digital technologies are steadily encroached into every corner of consumers’ lives, consumers are looking to redefine their experience with a frictionless purchase journey and a blend of both physical and digital interactions. Retailers should place greater emphasis on a range of non-price attributes that together function as enablers to a unique New Retail experience.

While we often focus on the new opportunities that technology can bring to customer experiences, it is critical that we not forget the value of human interactions — especially in the service sector where high touch and deep product knowledge is needed. In our 2019 consumer insights study, the top 3 attributes sought out by Chinese consumers are (1) mobile payment, (2) mobile checkout, and (3) product knowledge.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Mobile and contactless payment</td>
<td>49%</td>
</tr>
<tr>
<td>Technology assistant</td>
<td>39%</td>
</tr>
<tr>
<td>Sale’s deep knowledge</td>
<td>38%</td>
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Source: Global Consumer Insights Survey 2019 China report
Since experience can be subjective and subtle to spot, what an ROX framework does is help companies spot the vulnerabilities along the purchase journey. ROX should be used to evaluate whether the company is investing their attention, time and effort to designing and delivering New Retail experiences.

Points to consider when developing ROX metrics:

01 Actual values generated in eyes of internal and external customers
02 The degree of employee’s emotional commitment to your brand
03 Methods of measuring improvements for CX and EX initiatives
04 Concrete action plans to help bridge as-is to desired outcome
05 Linkage between value-driving behaviours and financial bottom line

Above are starting points which you can build on over time into a more comprehensive model for ROX strategy. You can also realise value quickly by focusing on an initial set of KPIs to guide investments relating to experience. The ROX framework will allow you to prioritise as you explore experiential design for specific CX and EX priorities and also to gain deeper insights into what matters most to your customers.
From end-to-end digitisation to the rise of experience-based business models, the New Retail evolution in China has come a long way. This report has shed lights on the key trends and industry developments that require brands and retailers to think strategically adopt a more experience-centric approach. Through the effective implementation of the ROX framework, we believe that the following recommendations can serve to bring your organisation one step closer towards maximising your ROX in the world’s largest consumer market.

Our survey has revealed a complex retail landscape characterised by technology and new consumption patterns. It has become clear that having a holistic consumer-centric model encompassing all elements of front-end and back-end capabilities is no longer just an option, but rather a pre-requisite. While customer experience is already being applied to front-end of many New Retail models, equal emphasis should be placed on identifying the critical few behaviours along the value chain that drive customer satisfaction. Resources should be directed to strengthening the weakest links, from addressing customer pain points through in-store innovation to enhancing operational efficiency through functions including after-sales, logistics, and inventory management. The ROX framework is a systematic roadmap that allows you to plan, execute, and measure your own experience-driven tactics.

In the context of experiential retail, it is often the discrete moments or scenarios along the purchasing journey that trigger the consumers’ decision to reach deep inside their pockets. Therefore it is critical to identify where the ‘magic moments’ are that allow you to earn your customers loyalty over time and create a meaningful relationship with them. In-depth knowledge of your customer’s desired experience is needed to achieve this goal. Another way to instil discrete moments is by building meaningful communities, connecting with customers through compelling storytelling and increasing interaction among the community members. The key is to nurture your customers within a community where they can interact with the brand through a seamless online and offline experience, and in the process identify marketing opportunities that resonate individually with different types of customers.

As the New Retail economy takes root, those who thrive now will recognise that all the changes they made today, whether through investing in new technology or improving current capabilities and operation models, do not necessarily place them ahead of their competition one year from now. Long term success hinges on digital agility, or the readiness to constantly innovate via the adoption of emerging technologies, ranging from AI-powered demand forecasting, to in-store IoT sensors. In the age of data abundance it is more pressing than ever for brands to leverage big data analytics to gain consumer insights and refine the traditional vital elements of retailing – stores, merchandise, and consumers – and the dynamics among these elements to create new consumption scenarios and deliver superior customer experience. It is equally important to treat your customers’ data with respect and provide value in exchange for it.

**01** Fuse customer experience across the entire value chain

**02** Monetise discrete moments and build communities with a purpose

**03** Be digitally-agile and data-driven using new technologies
In this year's Global survey, we reached out to more than 21,000 consumers in 27 territories across 5 continents in the world. This is the China report of PwC’s Global Consumer Insights Survey (formerly known as Total Retail Survey) which in 2019 is the tenth consecutive study of online shoppers.

This report draws on the insights from our quantitative study of shopping behaviours of over 900 Chinese consumers. We also bring perspective from our experience with international and local retailers, brands and internet companies.

Our China sample has an even gender representation. From a demographic perspective, 53% were aged between 25 and 44, 81% have an annual household income of over RMB70,000 (US$10,000) and 68% in full-time employment. From a regional breakdown, 33% live in Tier 1 cities, 44% in Tier 2, and 23% in Tier 3.

Note that numbers in this report may not add up to total due to rounding.
## Table

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
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</thead>
<tbody>
<tr>
<td>Over RMB 200,000</td>
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<td>50%</td>
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<tr>
<td>RMB 180,000 to RMB 199,999</td>
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<td>2.2%</td>
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<tr>
<td>RMB 160,000 to RMB 179,999</td>
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<td>4.4%</td>
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<tr>
<td>RMB 140,000 to RMB 159,999</td>
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<td>8.2%</td>
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<tr>
<td>RMB 120,000 to RMB 139,999</td>
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<tr>
<td>Under RMB 20,000</td>
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<td>4.4%</td>
</tr>
<tr>
<td>Prefer not to disclose</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

## Diagram

### Gender

- Male: 50%
- Female: 50%

### Employment status

- Employed full time (part-time): 46.6%
- Retired: 6.0%
- Unemployed: 7.0%
- Homemaker (housewife, househusband): 3.1%
- Self-employed: 21.5%
- Student: 15.8%

### City tiers

- Tier 1: 33%
- Tier 2: 44%
- Tier 3: 23%

Back to the core: Reinvigorate experience-driven retail at a time of uncertainty