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in:china monitor

Report n.4 | February 2022

**THE FUTURE
OF RETAIL
IS WRITTEN
IN CHINA**

2022

INDEX

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in cooperation with

ChinaEU
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// Index

Introduction [pag 5](#)

01. HOW CHINESE RETAILERS HAVE REVOLUTIONIZED THE FUTURE OF GLOBAL SALES

Retail in China in numbers. [pag 7](#)

Retail in China:

- the online-offline system is fueled by the digital natives. [pag 8](#)

- the O2O boutique innovation is "Made-in-china". [pag 9](#)

- supermarkets, boutiques and ecommerce are the core of omnichannel strategy. [pag 10](#)

- Dada JD Daojia omnichannel retail model. [pag 11](#)

- Dada JD Daojia in the beauty sector. [pag 12](#)

Retail automation: from China to the West. [pag 13](#)

O2O in China: Alibaba local consumer service division. [pag 14](#)

Retail in China: Alibaba's O2O strategy targeting families. [pag 15](#)

Retail in China: multiplatform shopping. [pag 16](#)

Live commerce was the new protagonist of 2021 Double Eleven shopping festival. [pag 17](#)

Retail in China: livestreaming. [pag 18-19](#)

02. CHINESE DISRUPTIVE RETAIL EXAMPLES OUR 2022 ON-SITE REPORTAGE FROM SHANGHAI OFFICE TEAM.

TX Huaihai | Youth Energy Center. [pag 22-27](#)

Gentle monster & the 'future retail' concept store. [pag 28-30](#)

Bvlgari: sustainability meets Chinese cultural heritage. [pag 31-33](#)

The Zegna mini oasis in front of the store. [pag 34](#)

Zegna new boutique in Shanghai Pudong. [pag 35-36](#)

Louis Vuitton: a temporary store with a floral motif. [pag 37](#)

Valentino temporary bookstore and online campaign. [pag 38](#)

A traditional Chinese cyberpunk-style market. [pag 39](#)

03. 2022 RETAIL SCENARIOS IN CHINA

2022 China economic scenario. [pag 41](#)

China retail scenario. [pag 42](#)

2022 China luxury retail scenario. [pag 43](#)

2023 China live streaming e-commerce growth scenario. [pag 44](#)

2022 China tourism related retail: actions to undertake. [pag 45-47](#)

04. EXPERTS BITES

A SELECTION OF CHINA AND RETAIL EXPERTS ILLUSTRATING THEIR APPROACH TO THIS MARKET AND THEIR VISION ON THE FUTURE OF RETAIL IN CHINA

Xinxuan Group: the livestreaming agency created by a top KOL. [pag 49-51](#)

Expert bite by Xin Youzhi (Xinxuan Group Live streaming agency). [pag 51](#)

Rhea vendors Group: customization is the retail of the future. [pag 52](#)

Expert bite by Andrea Pozzolini. [pag 53](#)

Hinichijou (Bear Paw Café): Bear Paw social entrepreneurship in retail. [pag 54](#)

Expert bite by Bear Paw. [pag 55](#)

05. KEY TAKEAWAY

Key takeaways from China for Western retailers. [pag 57](#)



FRONTIER ZONE

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// Introduction

When in the West (first in the USA, then in Europe) the diffusion of the television became a mass phenomenon, many thought that the radio's days would be numbered. Likewise, when the use of the Internet became an everyday medium for most people, it seemed that the television would be winding down.

Well, the radio is still in good health, but it has transformed itself by making its own some of the tools of the TV, like with direct videos from radio broadcasts, and also of the web, namely with the development of apps and the ever-popular use of podcasts.

The same phenomenon is happening in China, where traditional retail has been digitized and ecommerce is borrowing the techniques of TV shopping and in-store sales, adapting them to a phone screen. 70% of China's consumers are omnichannel shoppers, combining both at-a-distance and in-presence approaches, thus making advanced and sophisticated management of consumer behavior data even more important to offer a tailored user experience throughout the customer journey.

A metamorphosis is underway. Flagship stores are no longer temples to celebrate the brand ritual, but are becoming spaces where to live and experience the brand's values in its fullness, albeit in most cases the consumer will finalize his purchase remotely, after having seen, touched and tried in person.

Something completely new is being born and is likely to carry on in the coming years, with distribution and sale models evolving continuously. Some European and American brands have been experimenting with a different approach to retail in China since the beginning of the pandemic, but this wave of change is also arriving in the West and this is why it is crucial to study and understand the Chinese model, to be ready to lead the transformation rather than being overwhelmed by it.



Giulio Finzi
Retail Leader



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HOW CHINESE RETAILERS HAVE REVOLUTIONIZED THE FUTURE OF GLOBAL SALES

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70

Read more from National Bureau of Statistics official press release

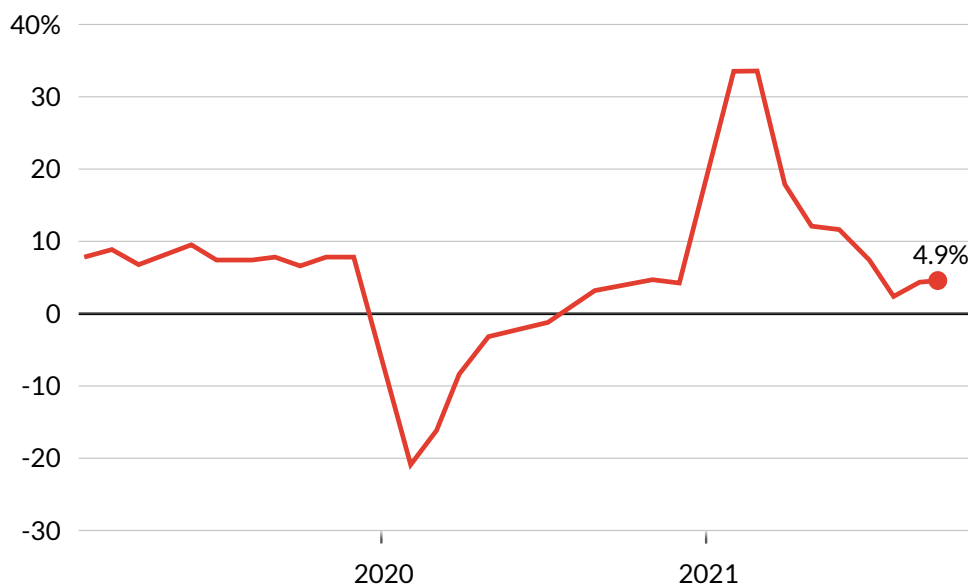


// Retail in China in numbers

- Retail sale in China grew by **4.9%** in October 2021 compared to the same period the year before.
- In spite of the challenges experienced by the Chinese economy in 2021 — from a slower-than-expected consumer spending to harsh floods threatening to disrupt supply chains — **strong export growth has remained a bright spot.**
- In the last two years, Chinese consumer spending habits normalized online shopping behavior while accelerating the growth of the on-demand retail platforms. This new trend highlighted the significance of omnichannel retail, with the **online-to-offline (O2O)** strategy being the **major contributor to growth driver for brands** and their FMCG businesses.

CHINA'S MONTHLY RETAIL SALES

Year-on-year percentage change



Source: National Bureau of Statistics of China, Refinitiv



// Retail in China: the online-offline system is fueled by digital natives

DATA:

70% of China's consumers are omnichannel shoppers, combining both online and offline approaches.

Source: McKinsey Global Institute Analysis, November 2021

In China, physical and digital are becoming one, as digital users are increasingly shopping online, **thus contributing to the collection of huge pools of data for any age range.**

The so-called "digital natives," born between 1980 and 2012, tend to combine online with traditional in-store shopping. Even when visiting a physical store, Chinese consumers can decide to buy the products they are seeing online. China is the world's largest ecommerce market (bigger than the sum of the following 9 largest ecommerce markets combined). 70% of China's consumers are real omnichannel shoppers, who combine both online and offline approaches.



// Retail in China: the O2O boutique innovation is “Made in China”

Read more about how
Chinese online retail
commerce influence the
West from our Intarget
WeChat Official Account



DATA:

57% of urban households used O2O home delivery services to purchase FMCG from January to September 2021

Source: Kantar Report, November 2021

Online to offline (O2O) instant retail has grown steadily since 2020, especially in the region of South China, where the number of O2O has increased year on year. In 2021, consumers using O2O platforms may have spent less on each shopping occasion, but have placed more orders. This shows that **O2O has gradually expanded to non-necessary product categories alongside high-frequency and essential products**, such as fresh food.

JD and Tmall launched their own enhanced versions of instant retail, offering one-hour deliveries in tier-1 cities, availing of platforms such as Dada Group and Taoxianda to deliver products sourced from the shops nearby. The deeper integration of online search and offline logistics generates new sales opportunities.

The latest O2O trends we witnessed in China include:

- **Unified loyalty systems:** consumers have the same advantages & benefits whether they buy online or offline.
- **Online customer service with highly-qualified shopping assistants:** offering a high-level service recreating the boutique experience.
- **Experiential boutiques with digital elements:** Digital art, hi-tech devices, metaverse experiences inside the brand's universe, making it possible to finalize the purchase both in store or online.



// Retail in China: supermarkets, boutiques and ecommerce are the core of omnichannel strategy

Read more about Chinese innovative retail model from QuestMobile TRUTH China Mobile Internet Report, November 2021 (only in Chinese)



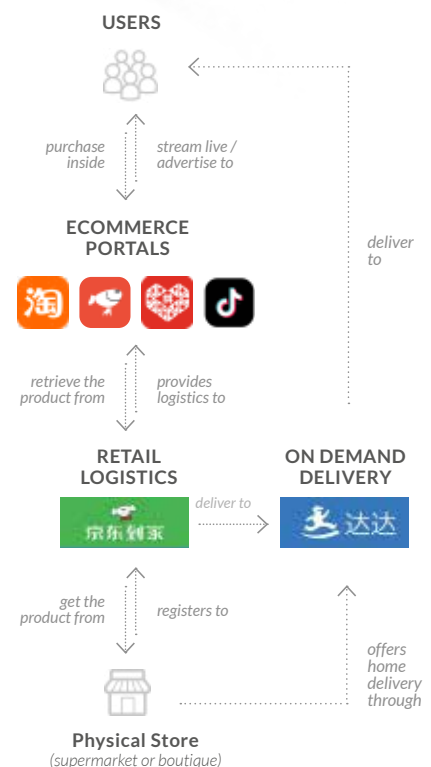
In the past five years, Chinese retailers and ecommerce players have moved beyond experimenting with advanced analytics and have started to utilize data strategically in a systematic way. Many retailers have made great progress on analytical maturity and can now avail of more granular, real-time data about pricing, mass promotion, and assortment optimization along the value chain.

Currently in China, it's common to see **offline channels, including supermarkets, convenience stores and brands' offline stores deliver orders that came directly from ecommerce platform.** This process has many benefits: improvement in the supply chain's efficiency, decrease in delivery time and increase the online stores' order amount. **The delivery time ranges from 30 minutes to next-day, but customers can receive the orders in as little as a 15-minute time.**

Consumption data in cities and stores, both online and offline, is integrated and is shared to brands to help them interact with customers more precisely. Brands can also develop new products based on data insights.

Chinese logistics and omnichannel ecommerce platforms are expanding their role as intermediaries by means of their extensive use of data to decrease the cost pressure on brand logistics.

Their most-consumed products count fresh fruit and vegetables, groceries, flowers, baked goods and pharmaceutical products.



The model structure:

Once a user makes a purchase online within the ecommerce store, the information is transmitted to the nearest retail store, which then delivers the goods with a Dada Now rider, thus significantly reducing logistics expense.

This innovative retail mode is set to be launched by other stores and further into the interior of China, using investment from powerful Chinese and Western backers.

// Dada JD Daojia omnichannel retail model

Dada-JD Daojia was created in 2016 by the merge of the O2O ecommerce platform, JD Daojia, and China's largest crowdsourced logistics platform, Dada. JD Daojia provides Chinese consumers with **one-hour delivery services** offering a high-quality **on-demand retail experience for consumers**.

The company **partners with almost all the leading supermarket chains in China**. According to the iResearch Report, Dada JD Daojia was **the largest local on-demand retail platform in the supermarket segment by GMV**, in 2020.

On September, 2021, JD Daojia launched the **Super Brand Partner Program** a new initiative which sees dozens of the world's leading brands join efforts to **co-establish a new omnichannel retail ecosystem**.

The core of JDDJ retail model is to digitally transform of the omnichannel retail industry in the era of **hyperlocal ecommerce**.

“From long-distance, to short-distance to hyper-local ecommerce, China's ecommerce industry has experienced a milestone leap. It is necessary to follow the trend and achieve a win-win partnership”

*Philip Kuai,
founder, chairman and CEO of Dada Group.*



Courtesy of NewDada & JD.com

Photo courtesy of NewDada



// Retail in China: Dada JD Daojia in the beauty sector

DATA:

In June 2021, sales of beauty products on JDDJ more than doubled when compared to the same period the previous year.

In August 2021, Dada JD Daojia further expanded its reach beyond grocery to provide consumers with high-quality beauty products by establishing a close partnership with **Sephora**.

The partnership allowed both existing Sephora customers and JD.com users to cut the delivery times for beauty products: not only consumers can order via the JDDJ application or mini program, and receive beauty products from the nearest Sephora store within one hour in first and second-tier cities, but also Sephora stores are now simultaneously integrated both on JDDJ and JD.com.

At present, over 3,400 beauty stores have launched on JDDJ. The platform has also established partnerships with Watsons, Gialen, Innisfree, THE COLORIST, and WOW COLOUR, creating a high-density and large-scale beauty supply network with beauty brands and chain retailers.



Photo courtesy of JD.com

// Retail automation: from China to the West

On January 10th, 2022, JD.com, opened two **robotic shops** in the heart of Europe, the Netherlands. **It is the first time that the Chinese logistic giant has opened a physical automated retail store in Europe.**

The new model of shops, named Ochama (abbreviation for omnichannel & amazing) introduces an unprecedented shopping format merging online App ordering and pick-up shops in which robots prepare the parcels for home delivery service.

“Dutch people are passionate for innovation and a green environment, and Ochama’s shopping format is designed to contribute to both aspects”

Ochama’s Chief Operation Officer

Chinese ecommerce giants are the first to understand contemporary consumer needs and know the potential of made-in-China retail innovation. By exporting this model directly to Europe, they will be soon creating a new pool of retail competitors.



Courtesy of: Beeld © Paul le Clercq and fruitbookmagazine



// O2O in China: Alibaba local consumer service division

In July 2021, Alibaba Group unveiled a new lifestyle services division to drive synergies across its platform and upgrade customer services.

The group brought together the food delivery service Ele.me, the local commerce platform Koubei, the navigation tool Amap and the travel service Fliggy into one **local consumer services** division.

The term “local consumer services” describe any **digital platform that links users with offline businesses and on-demand delivery**, from dry cleaners with an online booking service to virtual drugstores that will ship products to your door. **Unifying Alibaba’s four local service offerings gives merchants a range of entry points to reach the almost 350 million annual active consumers of the app.** At the same time, consumers can browse shopping, dining and travel recommendations to discover convenient services.

“Local consumer service is a huge market comprising a wide range of different services that are being digitalized, calling for a multi-app approach”

Yu Yongfu,
Alibaba’s President of Lifestyle Services Business,
which includes local consumer services.

DATA:

China fast-growing local services market is still in the early stages of development: in 2020, its market value stood at US\$3.06 trillion and, according iResearch, will increase in value to RMB35.3 trillion in 2025.



Photo courtesy of Alibaba

// Retail in China: Alibaba's O2O strategy targeting families

In October 2020, Alibaba Group rolled out a **member-only hypermarket chain 'Store X'** to target affluent families in China, expanding the chain's footprint with eight new 'New Retail' stores.

Store X is the new format of Alibaba's grocery retailer Freshippo, also known as Hema. Store X is around twice the size than the regular Freshippo store and sells **organic products sourced directly from farms by working with Tmall and Taobao.**

More than 40% of the store's offering is made of Store X's own-brand products ranging from general goods to fresh products and premium imported novelties.

The store also has an imported section showroom where customers can place orders from their smartphone, by scanning the QR code through the Hema app and pay online. **Once the payment is confirmed, imported goods will undergo customs clearance and be available for pick up via Alibaba's smart lockers within 30 minutes.**

"Store X offers a **membership-driven experience** on top of existing Freshippo supermarkets. The **combination of different store formats** can complement one another to serve a city's fast-moving and upgraded consumption needs," said Freshippo CEO, Hou Yi. "[...]In China, shopping is part of leisure, and it is also a family-oriented concept. To this end, club stores like Store X are giving every member of the family a reason to visit." - Jiong-Jiong Yu, senior retail analyst at the consultancy firm IGD



Photo courtesy of Alibaba

Read more about Chinese 2021 Double Eleven results on Intarget Official WeChat Channel



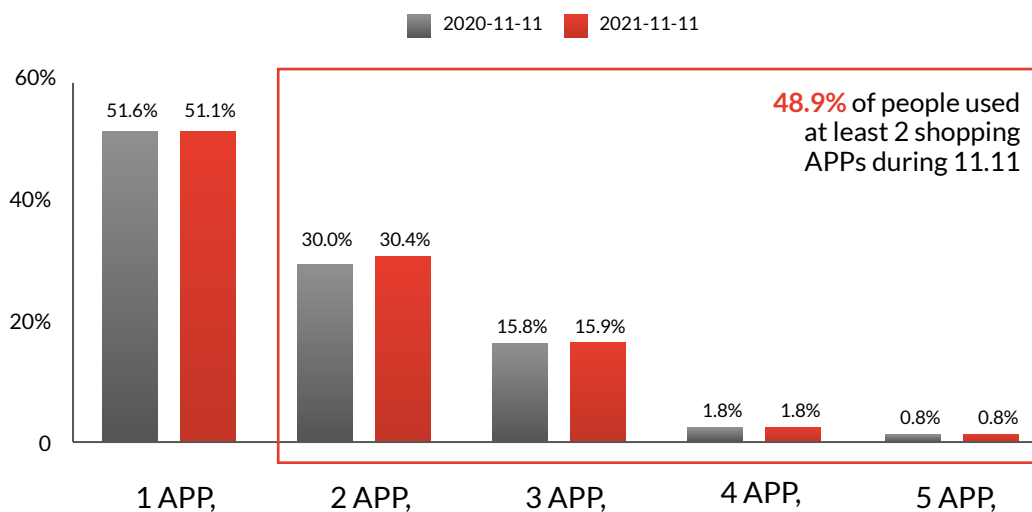
// Retail in China: multiplatform shopping

One of the new most interesting consumer behavior of 11.11 shopping festival was the price/service comparison between different ecommerce platforms before buying the same product.

Cross-platform shopping and price comparison became the norm for users during Double Eleven. Nearly half of the users made purchases through two or more apps, a consumer behavior which has stabilized from year to year.

Multi-channel promotion of products also strengthened users' cross-platform purchase behavior. As consumer demand in other fields is continuously transforming, cross-border marketing is also becoming more diversified.

NUMBER OF MOBILE SHOPPING OPENED APPS PER CAPITA



Source: QuestMobile TRUTH China Mobile Internet Report, November 2021



// Live commerce was the new protagonist of 2021 Double Eleven shopping festival

Read more about Chinese innovative retail model from QuestMobile TRUTH China Mobile Internet Report, November 2021 (only in Chinese)



01. China O2O retail flows

The role of live commerce has become more prominent, both in terms of contact time and consumption conversion.

New platform features

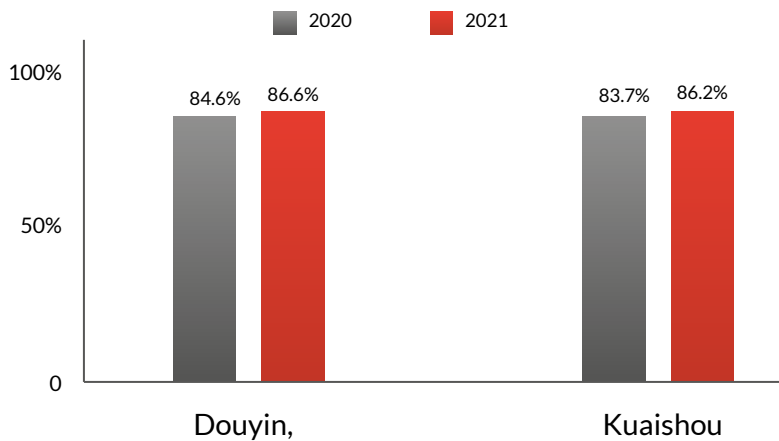
Short-video operators ByteDance Ltd. and Kuaishou Technology have introduced shopping events on their platforms via livestream ecommerce sessions. **Streamers used their fan base and audience credibility to recommend products**, with exclusive and time-limited discounts during the streaming. These platforms have hundreds million daily visitors.

DATA:

In August 2020, ByteDance's Douyin reached 600 million daily active users while Kuaishou reached 293 million daily active users in the second quarter in 2021.

During 2021 the Double Eleven period, Taobao users watching live broadcasts accounted for 30% of the total.

2021 VS 2020 11.11 PERCENTAGE OF USERS ON DOUYIN AND KUAISHOU WATCHING LIVESTREAMING



Source: QuestMobile TRUTH China Mobile Internet Report, November 2021

Source: QuestMobile TRUTH China Mobile Internet Report, November 2021



Read more about Chinese live streaming innovation from Fastdata
极数 Report (only in Chinese)



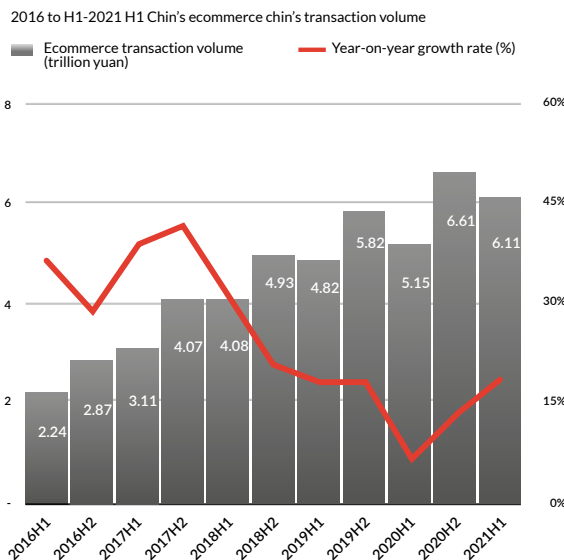
// Retail in China: live streaming

Live ecommerce transactions in the first half of 2021 exceeded 1 trillion yuan (more than 150 billion US dollars)

The main benefit of live-streaming ecommerce is its aid in expanding service providers, while industry verticals represent a new opportunity. **New service providers who have bred top KOLs** or developed more outstanding cases in vertical categories are more likely to survive the competitions.

In the last three years, the number of KOLs increased rapidly and competitions became fiercer. **Livestreaming users are better educated and demand more professional content**, so KOLs were required to showcase their product expertise, thus gaining trust from consumers. Moreover, live-streaming categories have since become increasingly diversified as well as the weight of specialized categories. Most KOLs initially focused on a specific category to develop private traffic in high loyalty and good conversion rate. With the increasing amount, duration and traffic of live shows, they then attracted more brands for partnership and to expand their pool of products, which showed the gradual decrease of the starting category.

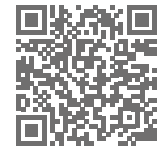
CHINA ECOMMERCE TRANSACTION VOLUME



Source: iResearch China Live streaming ecommerce Industry Report 2021, FastData 2021 China Live Streaming E-commerce Industry Report (2021年中国直播电商行业报告-Fastdata极数)



Read more about Chinese live streaming innovation from Fastdata
极数 Report (only in Chinese)



// Retail in China: live streaming

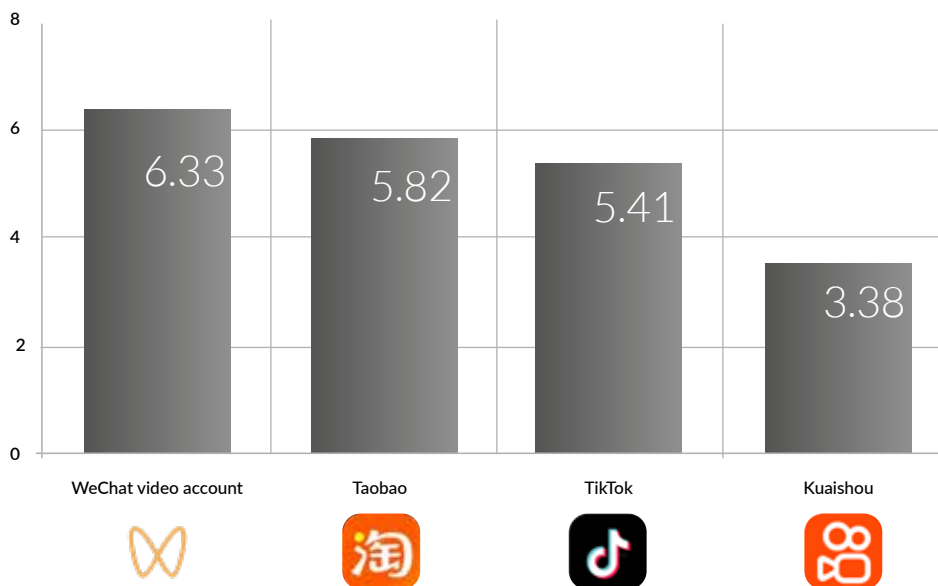
The portraits of live e-commerce users are remarkably younger, and the post-90s, Post-95s and post-00s are the most important user groups.

Unlike traditional ecommerce, live ecommerce is more popular among younger users, showing a higher penetration rate among users of undergraduate level and below.

Live commerce is a part of the bigger phenomenon of livestreaming

60% of live-streaming users are female coming from tier 2 and tier 3 cities.

MONTHLY ACTIVE USERS OF MAJOR LIVE STREAMING PLATFORMS (TEN THOUSAND)



Source: FastData 2021 China Live Streaming E-commerce Industry Report (2021年中国直播电商行业报告-Fastdata极数)

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CHINESE DISRUPTIVE RETAIL EXAMPLES

GENTLE MONSTER

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// TX Huaihai | Youth Energy Center

RETAIL, ART AND CULTURE

TX Huaihai | Youth Center is an innovative concept mall that speaks to the **new generations**: it is not only a shopping mall but also an **art center** - mainly digital - that unites **young emerging designers and artists** from all over the world and uses technology to promote creativity and the latest cultural and artistic trends. The mall has three main spaces: a public space, a commercial retail space and a **theme space that integrate shopping experiences and immersive art** in a single space.

TX Huaihai model concept is bringing online stores into the real world. In December 2019, **50% of its stores were popup stores, mostly from Taobao merchants** with notable numbers of online followers and track records of strong sales in youth-oriented products. **TX Huaihai does not ask for rental, but takes a percentage of sales.** Taobao shops encourage their fan bases to visit TX Huaihai. Despite opening amid COVID-19 pandemic, TX Huaihai gained more than 5 million visitors in 2020. **Renown global brands such as Fendi, Nike and G-Shock also hosted their own pop-up retail events at TX Huaihai.**





// TX Huaihai | The retail spaces

"AfterGlow"

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ENG CONCEPT STORE
AT TX HUAIHAI

06 | 19 | 2021

02 | Retail, innovation in China



// TX Huaihai | Concept stores, local brands



// TX Huaihai | Food area within the retail space

02. Retail, innovation in China



// TX Huaihai | Temporary stores



// TX Huaihai | Digital art

To celebrate one year since its opening, in December 2021 TX Huaihai | Youth Center created the first collection of digital art NFT within its exhibition space neXtlab, together with the young artist Wang Yan and the digital merchandise platform Ferlive. **TX Huaihai is the first shopping mall in Asia to explore the relationship between artistic content and the Metaverse.**



// Gentle monster & the 'future retail' concept store

SHOPS OF THE FUTURE

Luxury eyewear label Gentle Monster has opened a concept store in Shanghai's Nanjing Road called "Haus", which follows the opening of Haus Dosan in Seoul. The store, with a 'Future Retail' theme, includes, in addition to Gentle Monster, the cosmetic brand Tamburins and the cafeteria / dessert brand Nudake.

The store is a cultural experience that combines shopping, pop-ups and art exhibitions within a single space.





// Gentle monster & the 'future retail' concept store

The first floor is dedicated to the cafeteria, which includes the robot, The Probe, and horses in motion to capture Nudake's spirit of fantasy experimentation.



On the second floor is located the the Gentle monster retail space, presenting a mix of products for sale and multimedia works of art.





// Gentle monster & the 'future retail' concept store

The third floor features a large exhibition space designed for media art and pop-up exhibitions in collaboration with brands. In the center of the space, a robotic face called "The Giant" stands alongside sculptures and installations, depicting the theme "The Giant Who Arrived at the Bird Village".



On the fourth and top floor of Haus Shanghai is the first Chinese flagship store of Tamburins, the South Korean cosmetics brand that has conquered the public thanks its brand concept focused art exhibition and thanks to creative and original marketing tactics.

// Bvlgari: sustainability x Chinese cultural heritage

ENVIRONMENTAL SUSTAINABILITY

On December 4, 2021 Bvlgari opened a new boutique in Shanghai Plaza 66. This stunning visual **ticks many boxes of the luxury retail experience in China.**

First of all, the glass of the façade is sourced from recycled champagne, and other glass bottles, **successfully demonstrating the possible use of sustainable recycled materials in luxury.** Moreover, the color green is **recalling the Chinese cultural element of jade stone.** The glass façade is made of large panels that resemble the Jade features but it's 100% recyclable.

“The ambition was to create a new Jade, in an innovative and sustainable way”

Aser Giménez Ortega, Associate Director of the architectural project.





// Bvlgari communicating value on Chinese social media

On its Chinese social media and website, Bvlgari narrated thoroughly about the realization of the store façade and stated its commitment to continue investing in sustainability in China.

Bvlgari also advertised the new store project on both design and environment media in China.



Images from Bvlgari official social media accounts WeChat and Weibo



// The Zegna mini oasis in front of the store

ENVIRONMENTAL SUSTAINABILITY



Zegna brought the Mini Zegna Oasis to Shanghai for the first time, vividly interpreting Zegna's concept of sustainable environmental protection.

The garden of the Zegna oasis in front of the new concept boutique presents the carefully engraved features of the Oasi Zegna, Zegna continues the tradition of the sustainable spirit and love for the Earth.

// Zegna new boutique in Shanghai Pudong

The Qiantan Taikoo Li store in Pudong is Ermenegildo Zegna's new shopping landmark. The store's entire ground floor uses natural-wood tones, making the space look bright and creating an elegant and sophisticated atmosphere. The new boutique covers an area of over 300 square meters.

The brand-new concept boutique also uses recycled materials, confirming Zegna's commitment to sustainability and continuous research and development to create innovative fabrics and solutions that do not impact negatively on the environment.





ZEGNA SHANGHAI QIANTAN
TAIKOO LI CONCEPT STORE

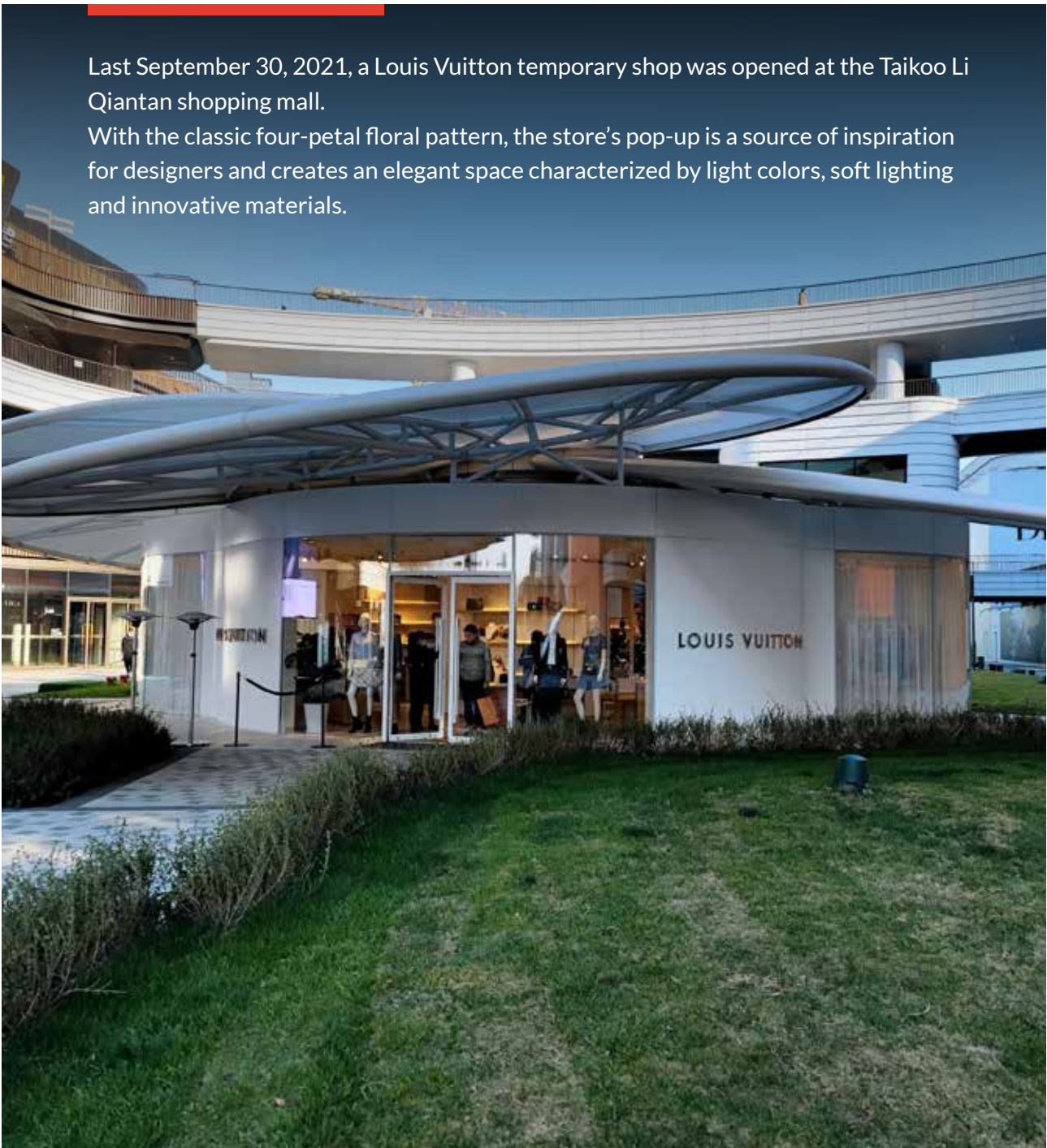


// Louis Vuitton: a temporary store with a floral motif

POP UP WITH INNOVATIVE DESIGN

Last September 30, 2021, a Louis Vuitton temporary shop was opened at the Taikoo Li Qiantan shopping mall.

With the classic four-petal floral pattern, the store's pop-up is a source of inspiration for designers and creates an elegant space characterized by light colors, soft lighting and innovative materials.



// Valentino

temporary bookstore and online campaign

RETAIL, ART AND CULTURE

From 1 to 5 December 2021 Valentino opened the VLogo Signature Vol. II pop-up art bookshop at the Garden Residence on No. 322 Anfu Road, Shanghai. The bookstore presents the “VLogo Signature Vol. II” art catalog which is accompanied by three-dimensional reproductions of the works inside the shop. The editorial project presents the iconic maison in collaboration with 26 international publications.

The reaction on the web has been remarkable: the house has launched a campaign with the hashtag #FindV on Weibo and Xiaohongshu to involve users in identifying “V” shapes around and post them online. In addition, initiatives such as lucky draws have been launched with copies of the catalog.



// A traditional Chinese cyberpunk-style market

INNOVATIVE CAMPAIGNS



In November 2021, the Yíntài shopping mall in Hangzhou promoted a campaign and an event titled “True Best Health Bazaar”, on healthy and natural lifestyles promoting the sale of healthy products. With the aim of attracting younger generations, it is a traditional Chinese market that has been recreated with a cyberpunk setting and style.

The “market” – which featured traditional Chinese medicine preparations – was dominated by electric blue combined with blue and white lighting and acrylic materials to create a trendy and futuristic spatial atmosphere. In detail, the cabinets for traditional Chinese medicines, the packaging of medicines, the jars for preparations were all made in a futuristic style, with the aim of combining the reliability of traditional pharmacological knowledge with the present and future world.



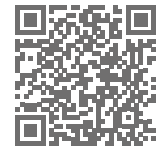
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2022 RETAIL SCENARIOS IN CHINA AND IN THE WORLD

30

in:china monitor

Read more about
Chinese future economic
scenario according to
the experts here
(Chinese only)



// 2022 China economic scenario

China's 2022 Global Times Annual Forum was held in Beijing on December 11, 2021; here was outlined the economic outlook of China in the upcoming months.

As economists and experts pointed out, **economic stability will be the top priority** of China's policymakers, as they are expected to roll out **supportive measures** ahead of schedule with the aim of shoring up growth against strong headwinds and will likely set 5% as the bottom line for GDP growth for 2022.

According to an annual blue book issued the **Chinese Academy of Social Sciences** CASS on December 6, 2021, the world's second-largest economy is **likely to experience a growth of around 5.3% in 2022**, as the economy slows due to the persistent COVID-19 cases and high commodity prices. However, the forecasts may need to be adjusted depending on the COVID-19 situation and 2022 Winter Games in Beijing.

“China's GDP growth could hit 9-9.5% this year before registering 6 percent in 2022”

Wei Jianguo

vice chairman of the China Center for International Economic Exchange and former vice minister of the Ministry of Commerce.

“A target of above 5% leaves a certain room of leeway, which is a relatively prudent call. It would also allow all parties to focus on promoting reforms and innovation and pushing for high-quality development”

Li Xuesong

researcher at the Chinese Academy of Social Sciences (CASS)



Photo credits to: people.cn, Global times, Cui Meng Ph.



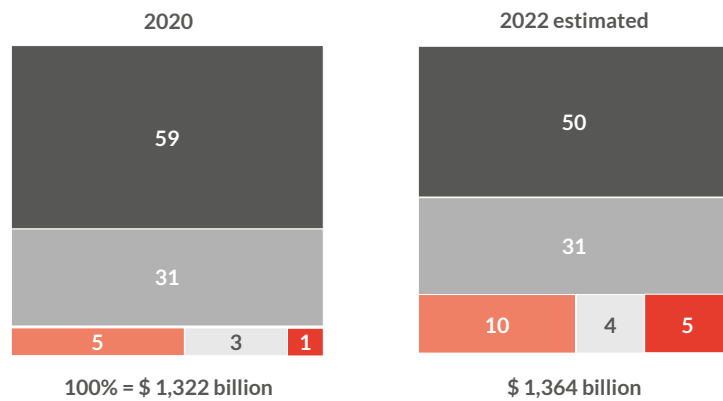
Courtesy of Jintai News

// China retail scenario

O2O's market share is set to double by 2022. The immediate impact of O2O business models is reflected in the changing composition of the grocery-retail market.

O2O is projected to rise from about 10% of the market in 2019 to 20 to 25% by the end of 2022.

CHINA GROCERY-RETAIL MARKET BUSINESS-MODEL ARCHETYPE, %



Key trends

- Ecommerce**
Continual growth supported by new online trends (eg, social commerce) with new vertical players entering
- Express delivery**
Fast-growing; comprises third-party marketplaces that enable small and medium retailers to acquire online traffic and deliver the products, as well as internet pure players with better experience but low-efficiency models
- Community group buy**
Fast-growing, with internet giants dominating and several regional players emerging

- Omnichannel MT**
Big formats: Market remains fragmented; players aggressively transformed themselves to omnichannel model by providing store-based express-delivery business
Small formats: specialized in different verticals and occasions (eg, CVS, fruit store, meat store, etc)
- Offline GT**

Note:
Figures may not sum to 100% because of rounding.
¹JD and Tmall make up 70 percent of the grocery e-commerce market, to which we applied 50-60% CAGR, which is adjusted down from their ambitious goals announced publicly.
²Includes only third-party platforms and pure players, not including the omnichannel retailer express delivery.

Source: Euromonitor, McKinsey analysis

Read more about
Chinese luxury
consumers on our
partner's website
[Tencent.com](https://www.tencent.com)



// 2022 China luxury retail scenario

In November 2021, Tencent, in cooperation with Business Consulting Group, released the 2021 TENCENT X BCG CHINA DIGITAL LUXURY REPORT, which provides inspiring insights about the 2022 China luxury retail sector and future scenarios.

2022 luxury Chinese consumers will still be eager to enjoy a premium service online that is consistent with the offline experience, while knowing that they are data protected throughout the process.

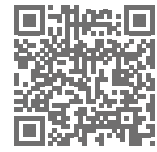
Luxury brands have now the chance to promote sales through digital means on the one hand, while on the other to strengthen brand culture and stories with the aid of O2O strategies. Already in 2021, **it was possible to visit luxury brands' art exhibitions by reserving VIP spots through the brand-owned WeChat mini programs.** This type of digital approach is not focused on sales generation, but is a convenient and familiar way to **communicate the brand's history, stories and inspiration**, which has been proven to be more appealing to the younger generation of consumers.

In 2022, the luxury brands' digitization will not only boost sales generation, but also bring other meaningful results for the industry.

Digital means will also empower creativity in the fashion industry with the aim to change the way people think and relate to luxury and make it more appealing.



Find out the original report from iResearch here (Chinese only)



// 2023 China live-streaming ecommerce growth scenario

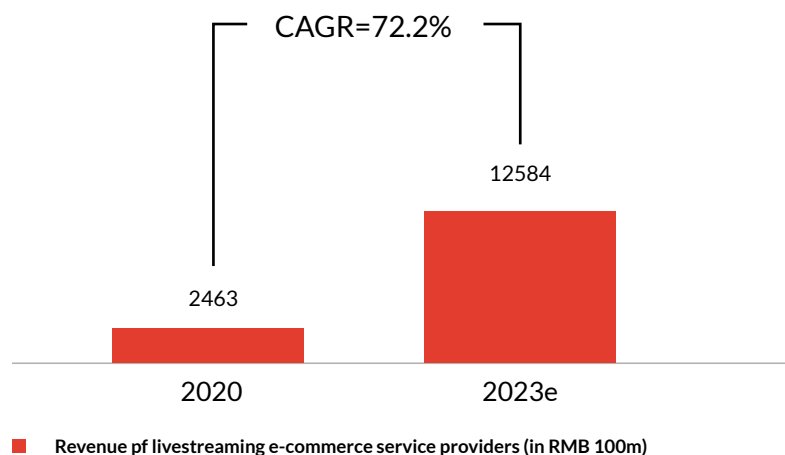
03 | Retail scenario

DATA:

In 2020, the service providers' revenue reached RMB 246.3 billion, and it is expected to exceed RMB 1.2 trillion in 2023, with a compound annual growth rate of 72.2%.

Live-streaming ecommerce will continuously grow while its ecosystem will improve, accelerating the segmentation of their business and the development of service providers. Service providers are, in fact, becoming increasingly important. **In this climate of fierce competition, it is the new service providers who have bred top KOLs or developed more outstanding cases in vertical categories who are more likely to survive.** In the future, service providers will play more diverse roles, leading to an increased number of new industry verticals and opportunities.

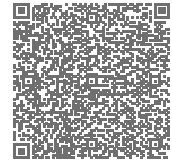
REVENUE OF CHINA'S LIVESTREAMING E-COMMERCE SERVICE PROVIDERS



Source: iResearch China Live streaming ecommerce Industry Report 2021



Scan the QR code to read
the original report from
CTA (Chinese only)



// 2022 China tourism-related retail scenario

The China Tourism Academy released its “2021 Chinese Outbound Travel Development Year-End Report” on 22 November, 2021.

82.8% of Chinese travelers said they would only go to an outbound destination where there are no cases of SARS-CoV-2. 81.6% said that in the near future, they would rather travel domestically rather than overseas. 71.7% said they were uncomfortable with taking international flights while the pandemic is still ongoing.

This general attitude towards international travel has become the main driver for many international brands which used to rely on fashion and shopping tourism to generate leads and sales, and are now forced to rethink their business model in order to stay on top of mind of Chinese aficionados.



// 2022 China tourism-related retail scenario

When it comes to buying luxury goods, Chinese consumers are the world's biggest contributors, and their share of purchases even doubled last year. However, the relatively high cost of luxury goods in China has long been an issue for domestic buyers.

Luxury goods are sold in China at a price as far as 60-75%* higher than the original in their market of origin. This is the reason behind the amount of shopping tourism happening before the SARS-CoV-2 outbreak.

While the Chinese government already have begun to introduce regulations aimed at establishing more appealing prices for luxury goods in China, this new scenario is transforming domestic duty-free area as the next luxury shopping paradise for shoppers.

From July to October, 2020, duty-free sales in Hainan reached over 12 billion yuan +214.1% from the previous year.

** Source: Bernstein Research*



// 2022 China tourism-related retail: actions to undertake

1. Bring the original brand value to China

Luxury brands should reinvent their boutiques located in China, making them similar to the immersive stores located in Rome and Milan. Having new concept stores in many cities and duty free in China will recreate the same experience customers will have when visiting the headquarters overseas.

2. Recreate the same sophisticated luxury experience in China

The greater part of a luxury brand's positive reputation is associated with the high-class boutique experience customers would feel in Italian boutiques. This atmosphere can be reproduced thanks to high-quality training of customer service staff both offline and online.

3. Embrace O2O and digital

Shopping online for luxury goods has seen a 55% increase in Mainland China since the start of the pandemic. (Ruder Finn) The new regulations mean that it's possible to purchase duty-free goods online up to 180 days after leaving the store and have them delivered home. This means that accessible, convenient online options should play a key role for any luxury brand's market strategy targeting China and that brands must build a relationship with consumers while travel restrictions are in place.



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EXPERTS BITES

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// Xinxuan Group: the live streaming agency created by a top KOL

Founded in 2017, Xinxuan Group is a new retail enterprise of live-streaming ecommerce focusing on the KOL economy, with the supply chain at its core. Xinxuan is committed to building a leading ecommerce supply chain system that links global brands, factories and industrial corridors. The three business segments making Xinxuan innovative are supply chain management, KOL incubation, and digital ecommerce (including technology development). It is a prime example of a leading integrated business in the industry. Xinxuan is committed to driving the “Selected by Xin” and “Made by Xin” development initiatives in upgrading of the supply chain, **helping brands develop products that are truly suitable for users**. Since 2020, Xinxuan has partnered with multiple top-quality brands with their sales record exceeding RMB 100 million and an equally great amount of per-customer sales. In 2020, it assisted various industries in work resumption through live-streaming ecommerce, bringing about RMB 46 billion GMV (over EUR 6.3 billion) for different brands throughout the year.



6000W+
Xinxuan users



5W+
Core SKUs



5000+
Brand
partnerships



Discover Xinxuan world



// Xinxuan Group: the live-streaming agency created by a top KOL

04. Experts bites

As a top live-streaming agency in the industry, Xinxuan has a total workforce of over 4000 employees, out of which nearly 1,400 professionals in product selection and quality control, and more than 1,500 people in the customer service team.

Xinxuan has warehousing and logistics centers in three cities; the Guangzhou warehousing center covers an area of about 50,000 square meters and integrates logistic resources by building strategic partnerships with many leading logistics companies such as SF Express, to make sure that consumers receive Xinxuan's "stringently selected" high-quality products as quickly as possible. **Xinxuan has basically established a complete leading live-streaming ecommerce model featuring top supply chain + top KOLs + RMB 100 million sales-level traffic.** With a huge traffic matrix, it has bred a number of top KOLs that lead in various verticals. The company has built a set of selection, training, and assessment mechanisms to develop a highly professional team of top KOLs. In 2020, Xinxuan bred 11 KOLs who each recorded sales of more than RMB 100 million per live session.



// Expert bite by Xin Youzhi

Former top KOL, now founder and CEO of Xinxuan Group

How do you see the future of China's live commerce industry?

Following an exponential growth over the past five years, some are wondering whether China's live commerce industry has reached its saturation point. I believe that it will remain a strong channel for customer traffic flow and an essential format for ecommerce in the years to come, as far as businesses are able to adapt to a new developmental stage.

To remain competitive, live-streaming companies will need to improve their capabilities from supply chain and logistics to KOL talent training and regulation compliance. These elements, together with digital commerce technology development, lie at the foundation of Xinxuan's business model.

Driving the future sustainability of China's live commerce market will be corporate live-streaming, trumping KOLs or celebrities live-streaming, and product quality. After all, the core of live commerce is ecommerce and ecommerce is always driven by products rather than by people.

I also predict that live commerce will gradually emerge in developed nations, including in Europe. Many European brands, especially in the cosmetics and fashion industries, have accumulated experience in selling to Chinese live-streaming users. This experience will prove valuable to develop the concept also back home.



Xin Youzhi
Founder and CEO of Xinxuan Group

// Rheavendors Group: customization is the retail of the future

Rhea Vendors Group, founded in 1960, is one of the largest manufacturers of **customized vending machines** in the world. With three production sites in Italy and branches in nine countries around the world, Rhea exports Italian manufacturing excellence and coffee culture to customers in over 90 countries. Rhea's partnership with prominent technology partners has led to award-winning solutions in the automatic distribution of food and beverages.

In 2020, Rhea Vendors Group **set up its first-ever subsidiary in Asia in Shanghai**, revealing the ambition **to design tailor-made solutions for the Chinese market**. Its participation in the third China International Import Expo (CIIE) last year attracted the attention of the organizing committee. Rhea welcomes cooperation with leading Chinese companies and initiatives to grow together and revolutionize the coffee industry through high-tech and automated solutions.



// Expert bite by Andrea Pozzolini

CEO of Rheavendors Group

How do you see the future of automated retail?

The pandemic we are still facing made us face a fast-changing environment; the increasing acceptance of automated retail was already underway, but this change accelerated it. The man-machine relationship is becoming more and more natural, especially as the machine is recognized to provide reliable and high-quality service.

Machines and automated processes – like the automated coffee machines we produce at Rhea – are also enabling the integration between the online and the offline worlds. Smart payments and easy access to products and services are the drivers of today's customers' choices, while physical stores will become the places where to live a brand and plunge into an immersive and exclusive experience.

What we see in the future of retail is an increasingly high request for tailor-made, exclusive experiences, where the user can get exactly what they like, when they need it and in the easiest possible way. By paying a coffee by vocal recognition in automated cafés, for example!



Andrea Pozzolini
CEO of Rheavendors Group

// Hinichijou (Bear Paw Café): social entrepreneurship in retail

Known for its novel way of serving coffee and its touching storyline, Hinichijou café chain has drawn hordes of visitors since the opening of its first coffee shop in Shanghai downtown Xuhui District on December 3rd 2020 – coinciding with the International Day of People with Disabilities. **It soon became one of the most searched items on Douyin (the Chinese version of TikTok) with over one billion views on social media. As popularity grew quickly, Hinichijou has opened 11 permanent stores in Shanghai, Hangzhou and Nanjing, and 10 pop-up stores.**

Hinichijou - a Japanese expression which means “extraordinary” (非日常) – is also known locally as the Bear Paw Café (熊爪咖啡), due to a cute and furry bear paw serving coffee and interacting with customers through a hole in the wall.

To its creators, Hinichijou is most importantly a social entrepreneurship that focuses on training and hiring disabled people, helping them to earn a good living by making the most affordable coffee, and guiding them to find new ways to fully and finally integrate themselves into society. 62.25% of the staff employed in Hinichijou’s coffee stores are people with disabilities.



// Expert bite by Bear Paw

Social entrepreneurship in coffee chains

In your experience with social entrepreneurship Bear Paw Cafe', how do you see Chinese consumers changing their coffee consumption patterns? Any tips for foreign retailers who wish to venture in the market?

As a newcomer to coffee chain stores, HINICHIJOU “Bear Paw” Café' still has a lot of learn. I'm delighted to share a few insights to this market.

The mainland Chinese coffee market is a fast-growing market. **At 15% annual growth rate, the sleeping dragon is definitely getting hooked on coffee.** In megalopolis like Shanghai and Beijing, millions of white collars drink way more coffee than in rural parts of China. Make no mistake, instant coffee is still the mainstream in coffee consumption overall, but high-end coffee shops are leading the trend with SOE (Single Origin Espresso) pour overs and fancy lattes. Any brand entering China must consider **brand positioning as the most important element.** Make a big splash first with viral marketing, and as you gain popularity among your key target audiences, quickly establish yourself at prestigious locations is a key arrangement to establish your brand in China. You will be **competing with ten thousands of brands, both domestic and international.** This is the battlefield where the brand's name carries same weight as your product. Take care of your brand and you will succeed.

HINICHIJOU's brand image is simple. **We help disabled employees (at 62.25% disabled employment rate in our retail stores, we also employ employee disabled staffs at our coffee ranch and roastery) sell great coffee.**

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KEY TAKEAWAYS



in:china monitor

// Key takeaways from China for Western retailers

Observing the Chinese market leads us to some final considerations, which we believe will guide the next evolution of retail also in the West.

Give Life:

no matter whether it is remotely or in person, customers want to communicate with the brand and its representatives, feeling treated as a person and not as an anonymous user.

Become Agile:

a recurring lesson from the successive waves of the pandemic is that retailers need to respond quickly to changing conditions and customer preferences.

Read Data:

retailers must learn to read and use data relating to their physical stores such as those of the web, integrating information to have a single view of their customers.

Refresh Content:

to have the attention of your potential customers it is necessary to invest in regularly updated relevant content, fresh new products and original initiatives.

Be Fair:

the value of a brand increasingly depends on its ability to be perceived as attentive to the environment, sensitive to issues of inclusiveness and capable of playing an active role in the fight against growing inequalities in our society.

As intarget, we will continue to study and observe the Chinese retail landscape, to share all its future developments and evaluate their impact on the Western market as well.



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// About us

intarget is the partner for strategic consulting in the customer journey.

Founded in Pisa in 2001, it now has four additional offices in Milan, Rome, Lugano and Shanghai. For twenty years it has been supporting companies operating in the business and consumer markets by building effective and measurable **brand strategies for brand positioning and optimal coverage of the customer's journey.**

intarget supports national and international brands on a path towards full digital maturity and the achievement of set business objectives.

Thanks to an international team of over 150 professionals, it aims to **enhance and improve the interaction between people and brands**, making the most of the potential offered by digital technologies and platforms and creating innovative solutions

[Find out more](#)



// Authors



Stefano Generali

Managing Director intarget Shanghai

In charge of the operations of intarget's Chinese office for business development in Southeast Asia. His professional career in the marketing and communication sector and his passion for innovation and digital, led him to Shanghai where he has lived for over 10 years, operating in the Fashion-Luxury sector, and holding the roles of Brand Marketing Manager for companies and Chinese companies active in digital marketing. Today its management's goal is to support the brand's expansion projects in China.



Giulio Finzi

Retail Leader

Giulio has been working in e-commerce and digital marketing since 2000, with extensive experience supporting companies of all types to start up and manage omnichannel initiatives effectively.

Since 2012 he has coordinated many digital retail projects in China, in collaboration with the main local players such as Alibaba, JD, WeChat and Secoo, as well as with some selected operating partners.

From October 2021 Giulio is intarget Retail Leader, with the mission of helping brands to evolve their distribution and commercial models, at the service of new omnichannel consumers.



Anna Pupi

China Market Specialist intarget Shanghai

Anna Pupi is a sinologist and marketing consultant for the Chinese market. Anna joined intarget family in 2017 and from 2019 she has been developing Shanghai intarget operations as a cultural mediator and China market specialist, supporting Western international brands in their internationalization journey to China.

Her expertise ranges from market analysis to localization strategies and branding within China digital ecosystem.

This publication contains general information and offers strategic insights based on authoritative sources and data verified by analysts and consultants of Intarget Group srl and Intarget Business Consulting (Shanghai) Co. Ltd.

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