

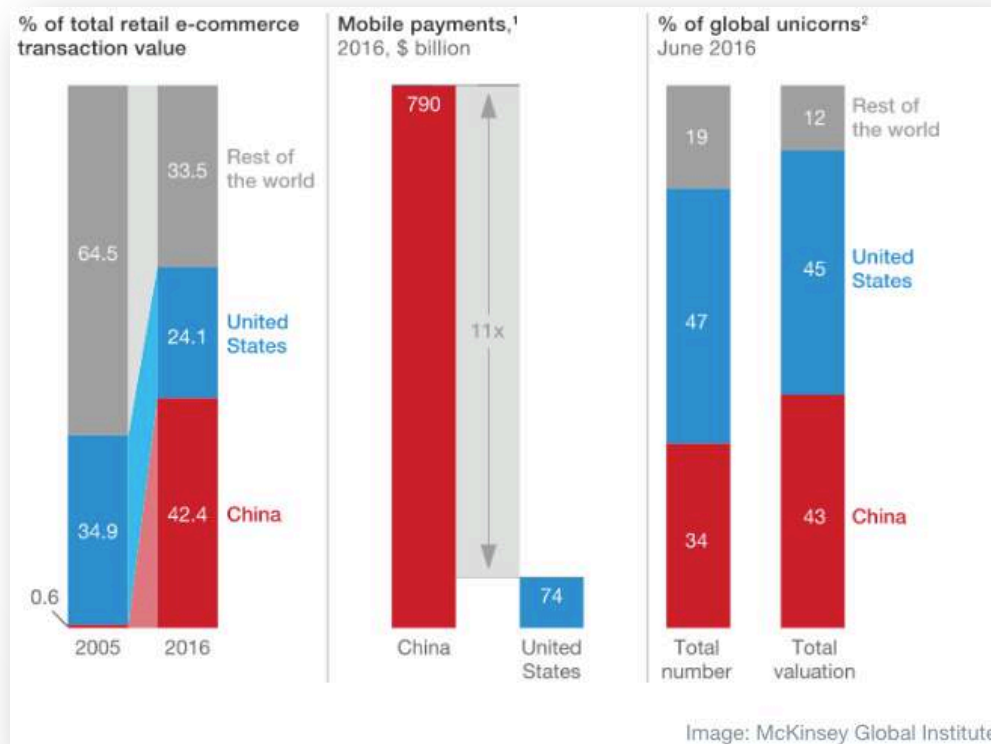
Learning and Earning from Digital China



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In 10 years, China goes from less than 1% of the global e-commerce market to 48% today:
US\$1.1Tn of global total of US\$2.3Tn

China accounts for one-third of all global 'unicorns' and 43% of total value



China's VC industry at US\$77 Bn (19% of global)
42% of VC investments from Baidu, Alibaba, Tencent in
the areas of Big Data, AI, FinTech

What were the enablers for China's internet
ethos and growth?

...

Internet control enabled domestic digital innovation

- The Great Firewall of China created an environment for domestic companies to thrive



Baidu, Alibaba, Tencent: US\$1.1Tn in market value

A 'needs-based' starting point for China's internet

- China's entry into the internet provided the solution to many underserved needs across industries



Taobao Villages (100,000+) enabling
'absolute poverty elimination' (by 2020)

The internet enabled connections, communities, commerce

Given state control over media, a network where one could express one's own views was life-changing

China's digital future, today:
From a consumer oriented internet to an enterprise driven
internet that ascends the value chain



Three digital forces that will create 10-45% of industry revenues by 2020



DISINTERMEDIATION

Using digital to cut out
the middle man



DISAGGREGATION

Breaking up large items
(cars, properties) and
repackaging as services



DEMATERIALIZATION

Turning the physical into the virtual
(3-D printing, virtual reality)

Ascending the value chain thru internet productivity: 4 major sectors

Simulation: Potential value shift/creation, 2030,
% of industry revenue pool

High
Low

Example

Consumer goods
and retail



- Omnichannel, analytics-driven business model, platform going upstream
- Sharing economy

Automobile
and mobility



- Car connectivity
- Omnichannel
- Integrated mobility solution

Healthcare



- Big data
- Internet of Things-enabled treatment
- Shared medical resources

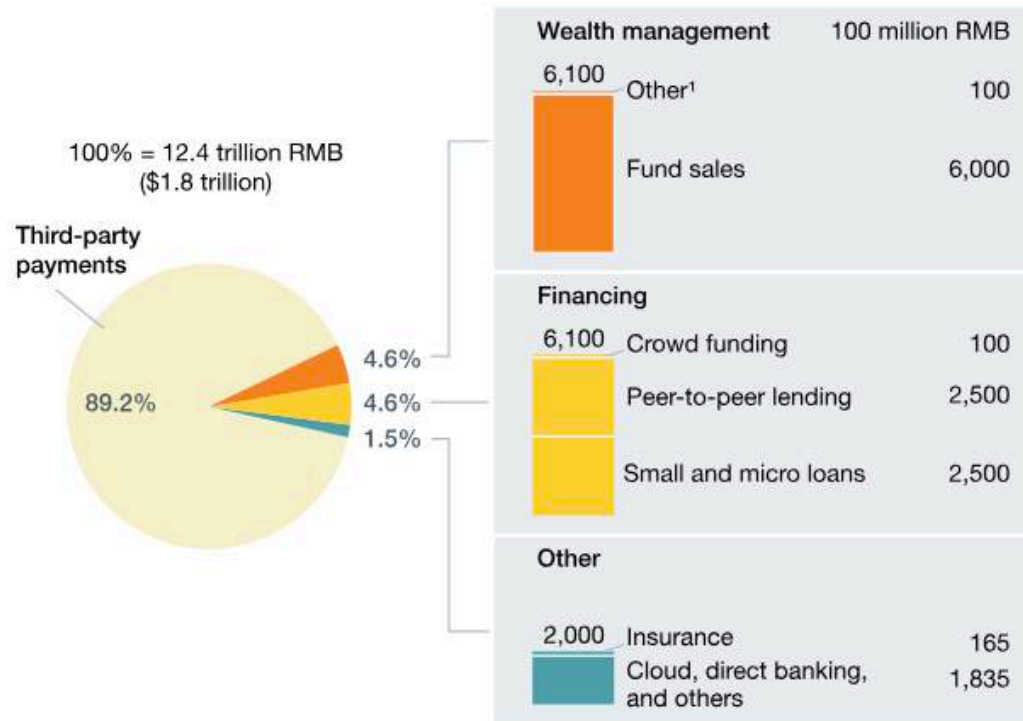
Freight and
logistics



- E-forwarding platform
- Crowdsourced delivery

China's internet finance industry,
a key e-commerce enabler, will continue to boom

...



Factors for Growth:

- Open, supportive, regulatory environment
- Highly developed e-commerce sector
- Strong demand for finance services

3 Types of FinTech players:

1. Internet Attackers
2. Traditional Financial Institutions
3. Non-finance Companies

6 Trends that will shape FinTech:

1. Mobile payment and wealth management
2. Online consumer and SME Finance
3. B2B Internet Finance
4. Financial cloud and infrastructure
5. Big Data application
6. Disruptive technology

What is the future for e-commerce in China?

...

Retailers **and** Brands will continue to innovate and grow

China e-commerce:
US\$1.7 Tn by 2020 at 23% CAGR (triple of offline retail)

17% of total retail sales in 2017 to 25% by 2020

Growth will be driven by a mobile-first consumer behavior, an innovative social commerce model, trusted digital payments infrastructure and significant rural market (tier 3 and 4) on-line shopping growth



6 trends shaping e-commerce in China today across consumers, retailers, brands:

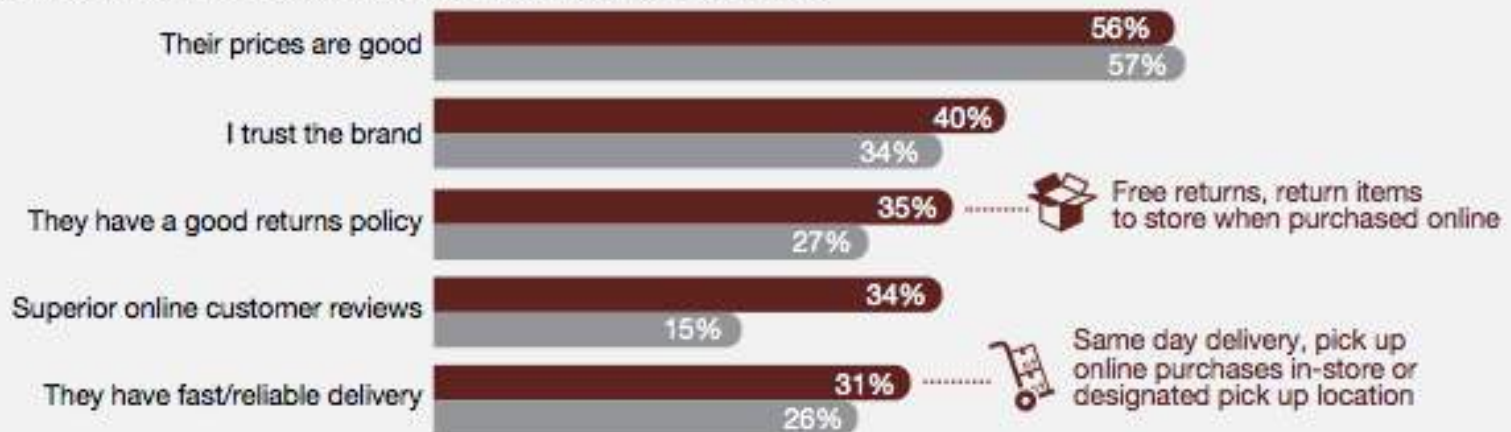
From O2O to Omni-channel
Return on Analytics
e-commerce and e-entertainment
Innovation at the intersection
Moments that matter
KOLs as sales channels

O2O Matures to Omni-channel

An omni-channel strategy broadens operationability across marketing, merchandising, customer service, fulfillment

Omni-channel fulfilment valued as a customer experience differentiator

Top 5 reasons why consumers shop online with their favourite retailer



Note: Respondents were asked to select up to five options.
Base = 905 (China), 24,471 (Global)
Source: PwC Total Retail 2017

Improves operational efficiency, customer experiences and profitability

Return on Analytics (ROA)

Data analytics has enabled merchants to perform advance customer profiling, precision marketing, content personalization

Marketers still have to close the gap between what consumers expect from digital marketing, and what they experience

% of Chinese consumers who rate real-time personalised offers as important, and are satisfied with their current experience



Big data analytics enables brands to improve marketing, product development, merchandising strategy, physical footprint

Content-centric e-commerce

e-tailers shifting from a transaction-driven marketplace model to one that enables merchants to create richer consumer experiences

Tmall is both a search and discovery engine and an eCommerce platform

% of Chinese and global respondents' rating on how Tmall for China / Amazon for global influenced their shopping behaviour



Note: Respondents were asked to select all options that apply.

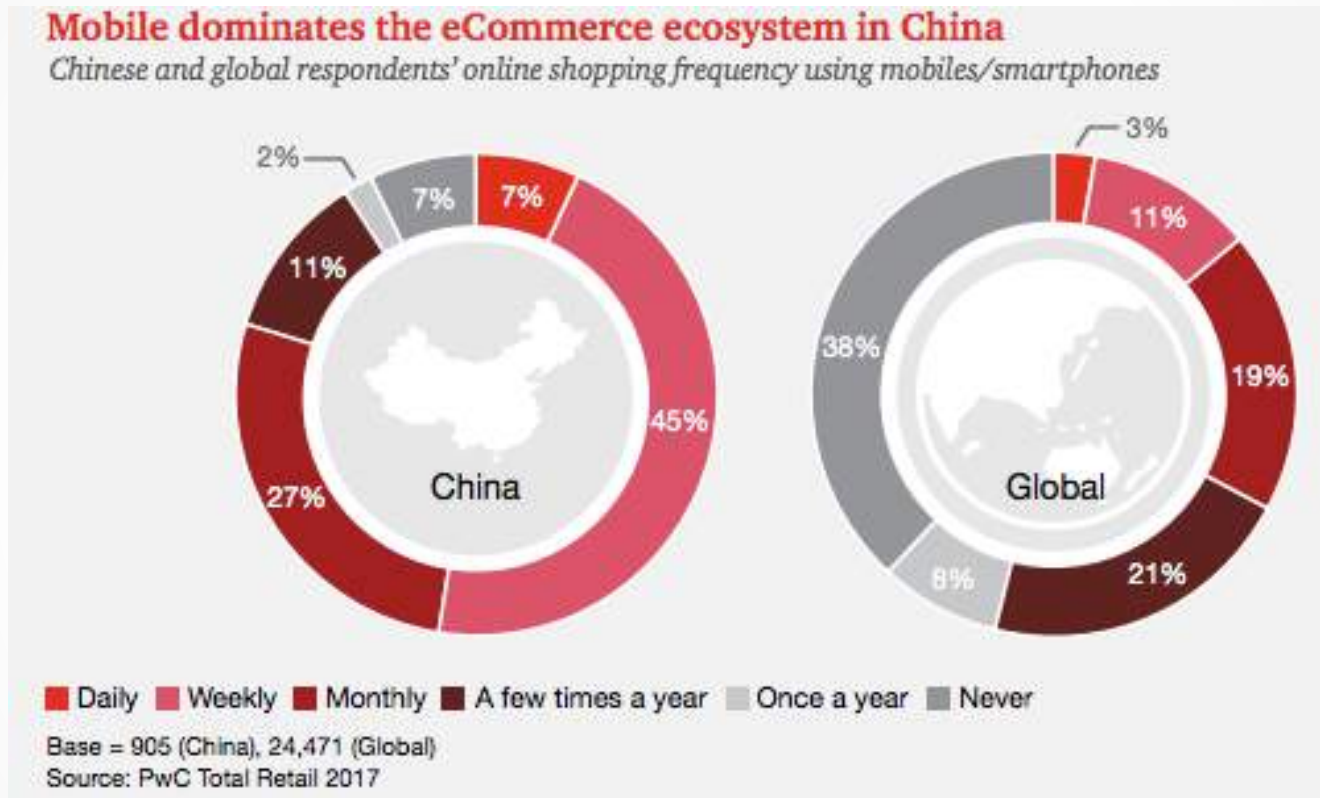
Base = 877 (China), 13,675 (Global)

Source: PwC Total Retail 2017

Tmall/Taobao now incorporate videos, livestreaming, VR, games, competitions, communities and KOLs

Innovation at the intersection of mobile, social, e-commerce

In China, the internet IS mobile



Retailers and brands operate within Wechat, with 800mn MAUs, for social engagement, exclusive shopping channels, CRM, livestreaming

Moments that matter

Social enables brands to be at each consumer's moment-of-truth, building social communities and engaging with customers across the end-to-end journey



Consumers use social media to discover new brands, validate product quality, buy directly thru a social channel, write a review/experience

KOLs as a Sales Channel

Internet celebrities are the new social entrepreneurs who monetize their brand and follower base by selling products

For brands to stand out they first need to be where their consumers are, and in China that means social

% of Chinese and global respondents who use online media platforms as a source of inspiration for purchases



This US\$8.4 Bn internet celebrity economy thrives due to the personalized shopping experience and real-time feedback about products, all mostly done via livestreaming

Philippine e-commerce, while a fraction of China's market value and digital ecosystem has opportunities to grow: 20% YoY

2015: US\$565mn, 2018:US\$832mn, 2020:US\$1.1bn



Growth Drivers:



Large and young population
Offline retail underpenetrated
Socially connected
Mobile driver
Robust consumption growth

But, there are challenges:

Undeveloped online retail market
Incomes still years away from an B2C online retail tipping point
Limited online selection
Subdued online retail investment
Undeveloped logistics



Low incomes
Lack of private investments
Import duty/tax obstacles
Low bank account and credit card penetration
Slow internet speeds

3 strategies to enable e-commerce growth



Cultivate a 'consumer first' mindset

Focus on the consumer, not the channel

Understand the consumer's needs and insights first, then define a unique value proposition then support with investments in branding, multi-platform marketing, merchandising and promotions

Operationalize Big Data and Analytics

Bridge the gap between what the customer expects and what she experiences

Understand digital touchpoints which influence path to purchase

Build trust and traceability for customer Lifetime Value



Deploy a 'Connect & Develop' strategy for innovation

Make external collaborations are a key source of innovation

Ecosystems enable you to better sell consumer experiences

Lean forward with emerging technologies

