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Key takeaways from BCG x Tencent 2020 China social retail playbook

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The concept of social retail, which revolves around rewarding consumers for what they share online, has already penetrated close to 71 percent of China. Image credit: Shutterstock

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China has the largest group of netizens in the world. Given this, it is not surprising to find that the vast majority of Chinese consumers' daily lives has become intertwined with social media.

Now, however, a transformation from social platforms to consumption models throughout the domestic market is becoming more and more diverse and seamless.

The concept of social retail, which revolves around rewarding consumers for what they share online, has already penetrated close to 71 percent of the country.

Last November, for example, [Burberry](#) announced a partnership with China's domestic tech powerhouse, Tencent, to develop a social retail program throughout the mainland. The alliance indicates that luxury players are embracing social retail to adapt to China's social ecology that shapes consumer behaviors.

At the beginning of this year, the Boston Consulting Group and Tencent jointly published a white paper, "2020 China Social Retail Playbook," to help brands and companies better understand the landscape of social retail in China.

This playbook navigates the dynamics of social retail, current trends and practices of the leading players, and highlights the strategic transformation that brands can leverage in the social media era.

Here, *Jing Daily* recaps four key takeaways from the whitepaper that speak to fashion, beauty and luxury industries. They are:

Consumer touch points become diversified and socialized

The complicated social media matrix has disrupted the former step-by-step communication channels between brands and consumers.

A touch point is any interaction that might interfere in how consumers feel about the products, service and brands, while a channel is where the interaction happens, including mailings, paid media advertising and physical

exposure.

According to the white paper, the number of the average touch points that alter consumer decision-making is 5.2, and 53 percent of them are social attributes, including social media such as WeChat and Weibo, video-sharing platforms including TikTok and Kuaishou, and social ecommerce such as Little Red Book.

Brands need to create various touch points in different channels, especially before purchasing.

As the core channel for managing long-term consumer relationships, social media plays a significant role before and after purchasing.

Decentralized distribution channels trigger "social fission"

A decentralized distribution system is replacing the traditional model one in which brands make the decision what and how information is shared with consumers.

Realizing the authority of conventional media has been diluted and consumers are being empowered by social media, brands are switching to meet consumers' inner motivations through various "social fission" mechanisms.

These mechanisms include rewarding discounts after reposting a brands' post and engaging in Weibo Super Topics to drive online traffic for idols, and to encourage consumers to take the initiative to distribute information for the brand.

The white paper indicates that 80 percent of respondents who are under 25 years old have actively shared or reposted product-related information. This percentage is also vigorous in the luxury fashion, and beauty industries, with 86 percent and 80 percent, respectively, demonstrating strong engagement among luxury younger consumers.

Given the high acquisition cost in driving traffic through traditional methods, encouraging consumers to voice a brand's merits is the most efficient solution.

Brands should identify potential groups that are willing to take the initiative and design corresponding systems and rules to trigger "social fission."

Generating private domain traffic is crucial to maximize customer lifetime value

Private domain traffic has been the buzzword of 2019 in China.

In contrast to traditional, public domain traffic-driven platforms such as WeChat, Weibo, Baidu, Little Red Book and Taobao, private domain traffic is fueled through private chats and group chats consisting of users who share similar interests or habits.

This phenomenon has given birth to KOCs, or key opinion consumers, who recommend products and influence consumers such as their close friends in company-organized WeChat groups.

Other approaches of generating private domain traffic include inviting customers to follow WeChat or Weibo official accounts, where brands can share the latest product information and campaigns, guide customers to online stores and, most importantly, access user data across the ecosystem.

The idea of private domain traffic derived from Taobao and WeChat store operations and has been implemented by global luxury brands.

Through inviting customers to scan a QR code of an Official Account or a Mini Program, brands can continuously stay relevant to their customers after they leave their bricks-and-mortar stores and Web sites, meaning that brands can maximize customer lifetime value the total amount of money to be made from a customer.

Brands have to be specific, fast-paced and flexible

The days of big companies cornering a market through media advertising and exclusive control of sales channels has passed on.

Now, brands under conglomerates must construct efficient organization structures that can respond to China's ever-shifting market.

Today's consumers are no longer disciples of established brands, showing an inclusive attitude towards new brands, products and experience. This revolution reminds big brands to innovate specific, fast-paced and flexible strategies when communicating with digital-savvy Chinese consumers.

Specificity suggests brands should assume diversified and specific scenarios to develop products and experiences

for customers.

Fast pace means brands need to launch new products frequently instead of the typical two seasons per year.

Flexibility implies global players have to improve cultural sensitivity and further localization.

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