



WHY YOU MUST
BRAND[®]
YOUR WAY INTO CHINA

**THE HIDDEN FACTOR BEHIND
EVERY SUCCESS STORY**



A few months ago, I had an important client coming to Shanghai, and I wanted to impress him. So I asked my team: “Where should we take him?” Immediately one of my staff blurted out: “Din Tai Fung!” I said: “Okay. That’s a good choice.” However, what actually shocked me was the rest of my Chinese team started nodding their heads, saying “Din Tai Fung. Yes. It’s good. It’s perfect.”

How could this Taiwanese restaurant chain be so top of mind for a group of local staff in Shanghai? China has billions of restaurants. Yet this was the one thing that came into their mind as being the ultimate place to

take a foreigner for an executive lunch. I asked my team: “How did you find out about this restaurant?” What blew me away was that not one of them gave me the same answer. Every single person discovered this brand in a different way that I hadn’t thought of. Your job as a brand when you come into this market is this:

Understand that first moment, where the true moment of interest is happening.

...It may be very different in China.

What Jack Ma Built is **UNIQUE**

Taobao is the world's largest marketplace. A lot of the Alibaba ecosystem integrates into Taobao. Approximately 85% of our business on Tmall comes through the Taobao app. This is because Tmall and all the other components are fully integrated into Taobao. It's a very powerful platform.

In the next section, I'm going to show you what it's like to be a shopper on Taobao.



PURCHASING A FLOOR LAMP ON TAobao

Shopping on Taobao is unlike anything most people (outside of China) have ever experienced. To illustrate this, I had Dana, one of my account managers, do a simple demonstration of the power of this platform. I asked her to look for a high end floor lamp for our office. What you see are screenshots of her mobile device as she runs through a process of finding and purchasing this floor lamp.

So let's start.

1. Dana types in a keyword “floor lamp” and gets a typical sort of Amazon search engine listings.
2. She clicks one of the listings, and grabs discount coupons with a tip tap of her fingers.
3. While on the same page, Dana clicks on the customer service icon and flips a link automatically to the CS (Customer Service) department with the product link.
4. The CS representative (a real human being) greets her within 1-2 seconds. Dana asks her first question: “Can I change the lighting of the bulb?”



Type in keyword :
"high-end floor lamp"
 on Taobao app (1 sec)



Grab discount
 coupons on the
 product page (4 sec)



Send the product link
 to CS rep to start the
 chat (14 sec)



Ask the CS rep: “Can I
 change the lighting of
 the bulb?” (17 sec)

PURCHASING A FLOOR LAMP ON TAobao (Continued)

5. While waiting for the CS to respond, Dana decides to go to “Buyer’s Collection” by clicking on a button embedded in the chat. “Buyer’s Collection” is similar to Pinterest where she can see unboxing reviews, what all the other purchasers have done with this product, what they feel about it, and so on.
6. In a few seconds, the CS responds to her first question. Look at the seconds count. She sent the question at 17 seconds and got a response from a human being at 25. That’s eight seconds.
7. Dana asks another question, then she goes down the list and thinks, “I want to talk to other consumers who have also bought this product.” She clicks on the embedded button called, “Ask Everyone” which is a place where consumers who bought from the merchant can talk to consumers who haven’t yet. The merchant can’t interfere much like Airbnb and Uber.
8. Meanwhile, in order to do that she has to follow the store - that’s similar to Twitter or Instagram



While waiting, browse product photos from “buyer’s collection”



CS rep’s first response: “lighting can be adjusted” (25 sec)



Ask another Q. While waiting, click the second feature “Ask Everyone” (27 sec)



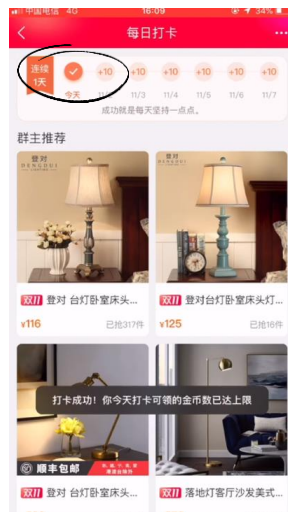
Before asking questions, I need to “follow” the store (29 sec)

PURCHASING A FLOOR LAMP ON TAobao (Continued)

9. She has to check in - that's Four Square. She get her points - that's gamification.
10. After going through multiple Q/A sessions, Dana makes her mind and customizes the order. At the end, with a thumbprint with Alibaba, Dana's made a purchase.



When admitted into the chat, **daily check-in** (32 sec)



Check-in for today to **receive points** (34 sec)



Ask the group "Is it difficult to set up lamp?" (38 sec)



Ask CS "Do I need to purchase a battery?" (42 sec)



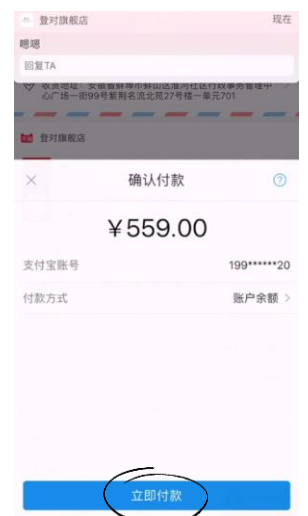
Pick the color and **add to shopping cart** (53 sec)



CS: "You need to buy a separate battery" (1 min 5 sec)



Click "buy", and submit the order (1 min 17 sec)







Pay using Alipay and end the shopping journey

That Entire Process Took **1 MIN, 17 SEC**

You can experience the combined functionality of 10+ applications on your phone in **every single** Taobao merchants store.



It's 100%

Factory-direct, Hyper-personalized Social Shopping

That was factory direct. Every one of the 800 million consumers on Taobao get a hyper-personalized shopping experience. This is what keeps them up at night. There are millions of merchants on Taobao, but what most people don't realize is a huge percentage the merchants are actual factory owners... and you get to have that kind of a relationship directly with the factory.

You can customize, order from the factory, talk to people at the factory and people who have bought from the factory, and you don't even get involved as a merchant.



... IS IRRELEVANT IN CHINA



(it's blocked anyway)

Chinese consumers don't search for things. They search for brands. If they need something, they connect within their social circle. They ask friends, family, colleagues or others they respect and follow. And they verify community-based preferences with their own personal research without using a search engine like Google.

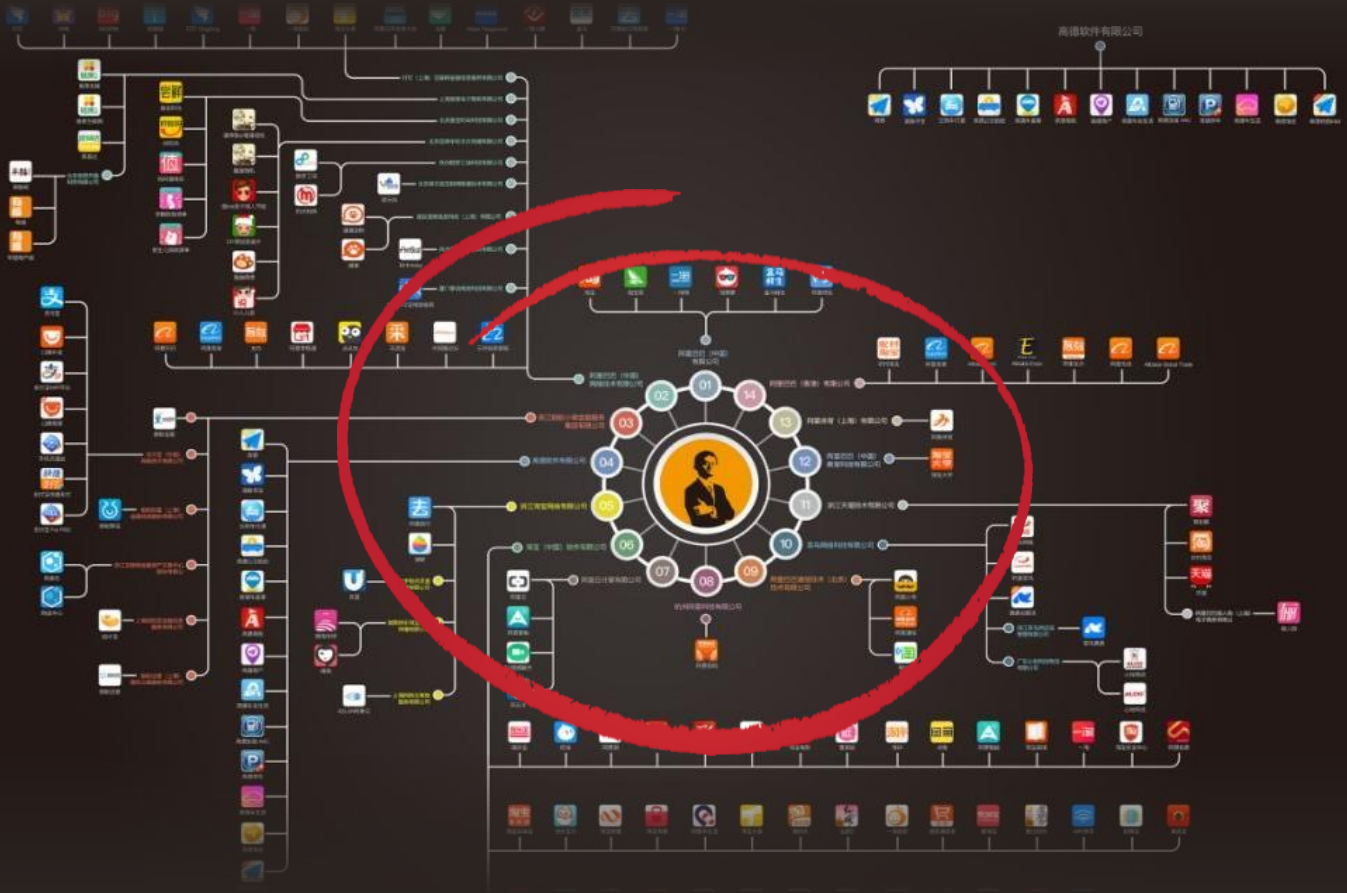
They look for specific, REPETITIVE signals coming through a complex web of influence. It's a process that speeds up decision making through layers of instant validation. And those webs are complex. They're based on trust that can be earned anywhere at any time.

They are also unpredictable. Most success looks like a wild brush fire in the wind.

So what does that mean for brands?

They need to spend the time to map the entire path to purchase. They need to find that TRUE MOMENT of interest and master it.

So few do this (I mean REALLY, ACTUALLY do it) before they enter. But those that do have a real head start and much higher success rates.



THIS

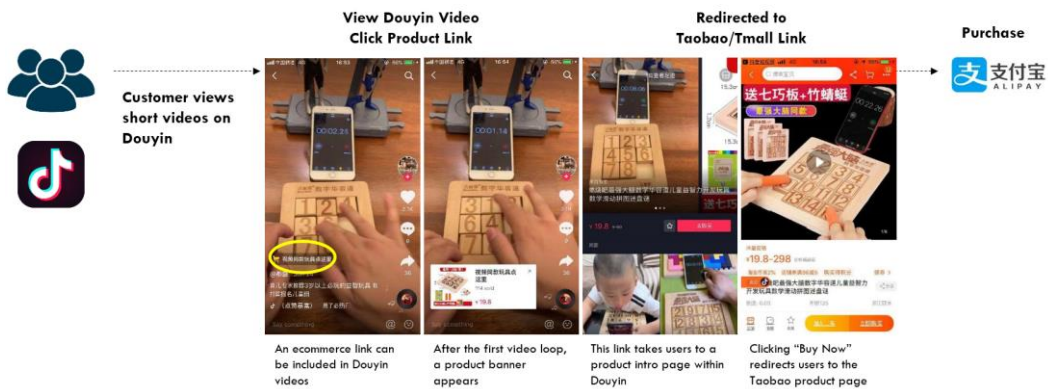
IS HOW THEY FIND YOU...

(AND I'M NOT JOKING)

EXAMPLES – CHINA CONSUMER PURCHASE JOURNEY

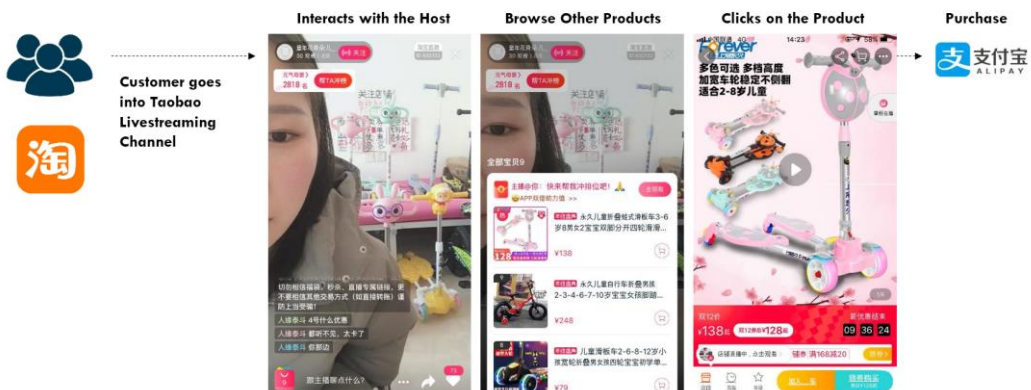
1. DOUYIN → TAobao PRODUCT PAGE → PURCHASE

Douyin is the Chinese version of TikTok with 400 million daily active users. Young Chinese consumers spend several hours a day watching videos on Douyin. The platform is integrated with Alibaba, providing users with a seamless shopping experience from watching a video on Douyin, to making a purchase on Taobao.



2. TAobao LIVE STREAMING → TAobao PRODUCT PAGE → PURCHASE

Live streaming is like a home shopping network or QVC inside every Taobao merchant store. Consumers could interact directly with the host live. They show you what you may want to buy, answer your questions, and even “throw” red packets to get you excited. You can purchase directly through the embedded product links.

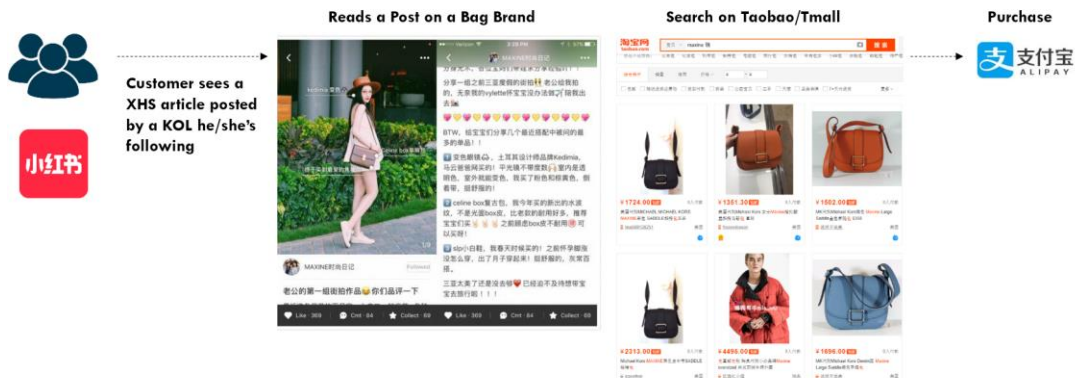


EXAMPLES – CHINA CONSUMER PURCHASE JOURNEY (Continued)

3. RED → TAOBAO SEARCH → PURCHASE

There are many platforms that just do community and influence marketing. In China, one of those is RED, which is a community site where all the influencers and consumers can talk about the brands they like. They do have a commerce component, but now it's also integrated with Alibaba.

Most people follow influencers on this platform. These influencers live all over the world. They travel everywhere and post about their interests, experiences, and perspectives. The image below is an example of a RED article posted by an influencer, talking about a bag brand. What happens is once you've read this and you've been influenced, you might ask your friend what they think of the brand. They say, "It's great!" Then you see a few other articles posted by different influencers, talking about the same brand. Now you've been convinced this brand is worth purchasing. You go on Taobao, you search for the brand and you make a purchase.



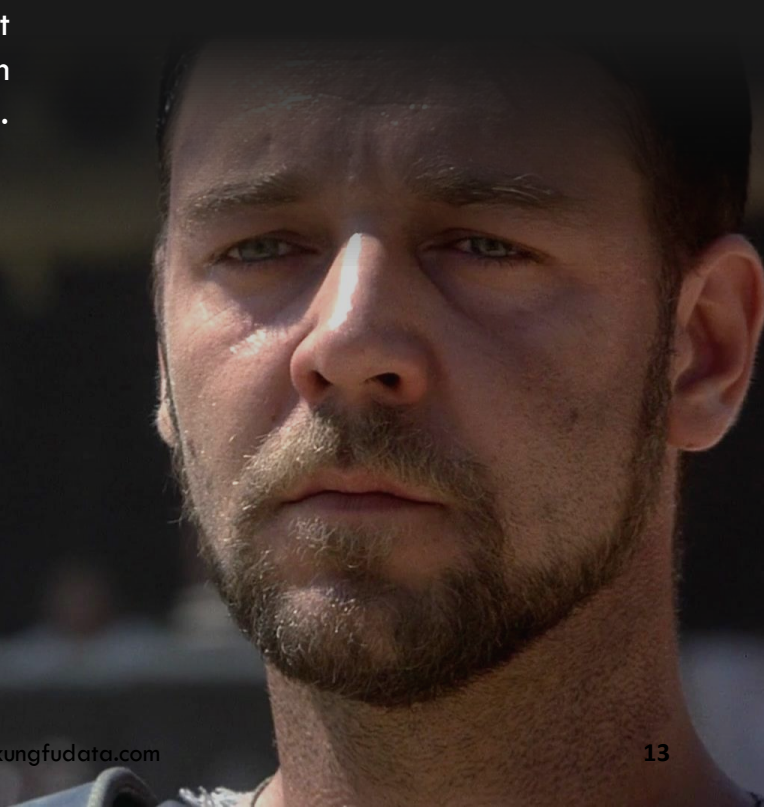
So, you're ready to do business in China...customers will just search for your brand on Taobao, right? It would seem logical that you should focus your investment there, but...that's only ONE of hundreds of ways Chinese consumers will engage with you.

What does that mean for merchants?

IT'S A GLADIATOR BATTLE... FOR **SCREEN REAL-ESTATE**

Say your phone screen is 50 square centimeters. Based on numbers Alibaba released in their last financial report, they processed around \$1 trillion in sales on mobile devices last year, which makes that phone screen most valuable real estate in the world.

EVERYONE is fighting for it.



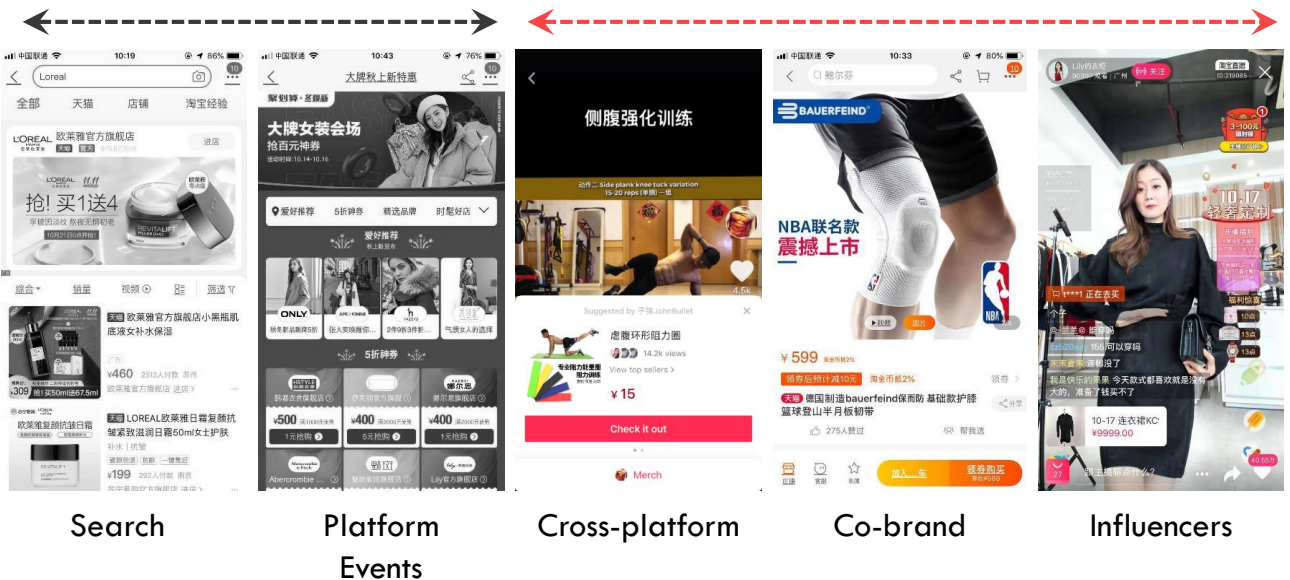
BRANDS BATTLE FOR SCREEN REAL ESTATE EVERYWHERE

Back in the old days, people used the search box to find what they want, and they visited event pages to see what kind of products were featured.

Things are different now. Co-branding, cross platform integrations and KOL collaborations are a MUST in order to survive in this ecosystem. Most of the experience you have as a consumer is now integrated in the place where you buy things. In other words, your entertainment is now collapsing into the world where you shop.

OLD REAL-ESTATE

NEW REAL-ESTATE



This is when things get extremely competitive.... because:

About 10% of the stores and brands control 90% of the trade.

Alibaba's integrated with everything they possibly can, because they want to own the entire path to purchase. So now merchants are forced to fight for real estate everywhere. The end result of that gladiator battle is that approximately 10% of stores and brands control 90% of sales.

Below are three brands in our portfolio...this is what it looks like when you win. You win conclusively and you win at a level that you don't normally see in other countries. You can make money on the long tail in places like Amazon, you cannot do it here. Even in what they call "long-tail categories", it normally looks like this screenshot below. These three brands are in long-tail categories and yet they are completely dominant.

1. BAUERFEIND DOMINATES THE GERMAN PROTECTIVE GEAR CATEGORY



Bauerfeind Keyword Performances:

- Knee Pads **Bauerfeind**: 88% CTR, 22% Conversion Rate
- **Bauerfeind**: 94% CTR, 22% Conversion Rate
- **Bauerfeind** Tibia Band: 85% CTR, 15% Conversion Rate

2. AMMEX DOMINATES THE DISPOSABLE NITRILE GLOVES CATEGORY



Ammex Keyword Performances:

- **Ammex Thick Rubber Gloves:**
82% CTR, 50% Conversion Rate
- **Ammex Nitrile Rubber Gloves:**
77% CTR, 40% Conversion Rate
- **Ammex Medical Gloves:**
139% CTR, 40% Conversion Rate

3. DAINESE DOMINATES THE IMPORTED MOTORCYCLE GEAR CATEGORY

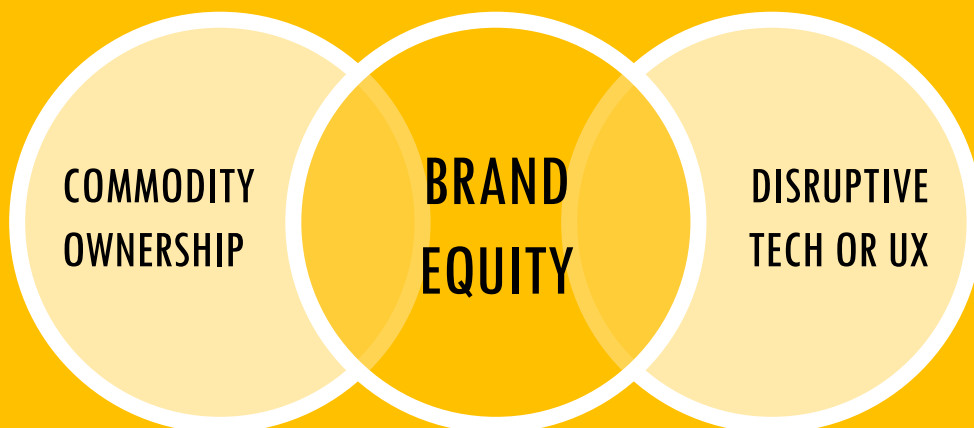


Dainese Keyword Performances:

- **Dainese Knee Pads Elbow Pads:**
97% CTR, 40% Conversion Rate
- **Motorcycle Gloves Dainese:**
105% CTR, 25% Conversion Rate
- **Dainese Insulation:**
127% CTR, 20% Conversion Rate

YOU NEED TO HAVE AN

“UNFAIR ADVANTAGE”



Some of the most powerful companies in China have been disrupted in the last year by new, innovative brands. The thing the innovators have in common is something that seems obvious, but is often overlooked: **defendable brand equity.**

What does that mean? In my world, it means brand strength, the magical delta between awareness and purchase intent. When you hit that tipping point, there's really no one that can stop you from accelerating and becoming dominant in a category. It's interesting because it

positions you so that if you are already unique in some way, you can now build a real business here that has legs and will stand the test of time.

In China you're going to sacrifice a lot to be here, but when you have a combination of brand equity and a resonance with the population, it really solves most of your problems. It's the framework you want to think about...whether you're in fast food or luxury handbags. This formula is proven to work across nearly all sectors.

WHAT WE ASK OURSELVES...

When clients come to us, these are the things we're concerned about as your potential operator in China:



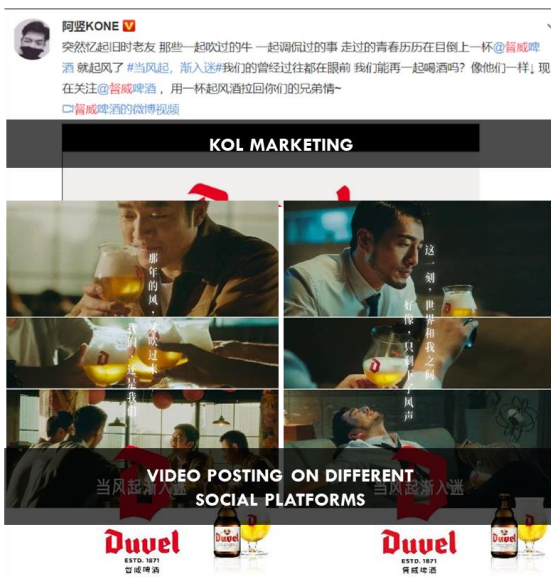
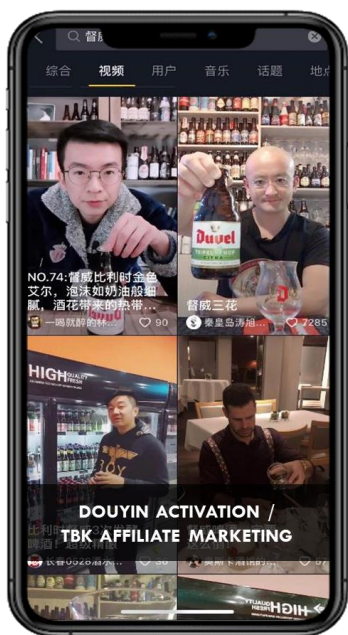
Brand strength is a timing issue. Just because you are a start-up brand, it doesn't mean you can't come into China. It's just timing. The stronger your brand, the more support you get, the more support you get, the stronger you become... ultimately building a defensible position in the platform. Resources and commitment are very important, but more important than anything is how strong your brand is.

Ask yourself: Does your brand have enough traction to convince Tmall and JD's category managers to support you with free traffic and get you into events?

If you can't get the support and you don't have enough growth, then it's not going to be easy. This is why there's that big gap between the winners and the losers in China. So you essentially don't want to launch until you have this traction.

As an example, one of our clients is a Belgian craft beer brand. We launched their Tmall store in 2019, and from day one it was a wild success. This brand already had traction in the market. They are the #3 biggest craft beer group in China behind AB InBev. But even from day one, it made a huge difference having that traction. They were placed in the top 10 stores during two major events. They're performing extremely well and their cost to do this is a very low percentage of the actual transaction value.

This brand has been in China for almost 10 years, and is sold in a lot of bars, restaurants and hotels. They have penetration and they have thousands of points of sale. It's pretty substantial. When we launched ecommerce for them, all of that offline activity came straight online. The brand recruited Douyin affiliates to promote the products online, integrated all offline activities with online channels including WeChat, and worked closely with KOLs to promote the craft beer culture.



HOW YOU CAN GET TRACTION

Looking at the situation, you are probably wondering: “So how can I get traction in China?”

The craft beer case is close to “intentional activation”. They have a full omni program in China. They've been in the country for a number of years, and they've got influencers in on and offline retail. They were able to rally all of those resources and integrate them into the launch on Tmall and JD and have a wild success.

But what if you are not in China? How can you create that traction without making a huge investment?

You'd be surprised at how many brands are successful in China just by accident. What I mean by accident is they do very specific things in their home markets or globally that also spills into China. The question is **“How do you take that exposure and push it over the top so you can create a winner?”**

Check out our Allbirds case study on the next page.

HOW YOU CAN GET TRACTION

HAPPY ACCIDENT

Word-of-mouth
Local Resellers
Influencers
Daigou Communities
User-Generated-Content
Global Buzz Hits China

INTENTIONAL ACTIVATION

O2O Omni Marketing/PR
Content Distribution
KOL/Celebrity Endorsements
Tapping Influence Nodes
Offline Retail (+Travel Retail)
Co-branding

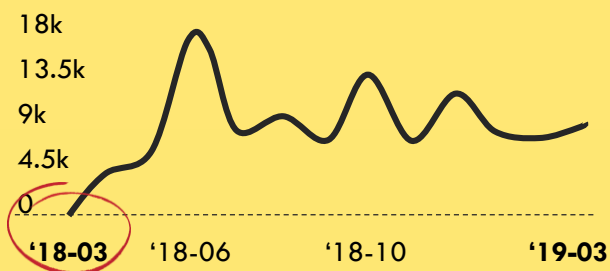
ALLBIRDS... WAS IT AN OVERNIGHT SUCCESS?

Allbirds launched their Tmall flagship store in April 2019. From day one, everyone was hyped for the new store. On its first year of launch, the store did several million RMB in sales. The press was all over this case, saying it was an overnight success, and asking, “How they were able to do it?”

I thought to myself, “It’s very rare that happens. Allbirds didn’t exist three years ago. Was their success in China really overnight or was there something else that happened behind the scenes, something else that caused that response?”

I had my team dig into it. We wanted to know how they did it. We started looking backwards into the data to find out if there was an “interesting moment”.

Allbirds Alibaba Search Index (2018-2019)



It all happened in one month. In March 2018 this brand went from a nobody in China to suddenly having what we would consider a very viable level of brand equity to justify a commercial launch.

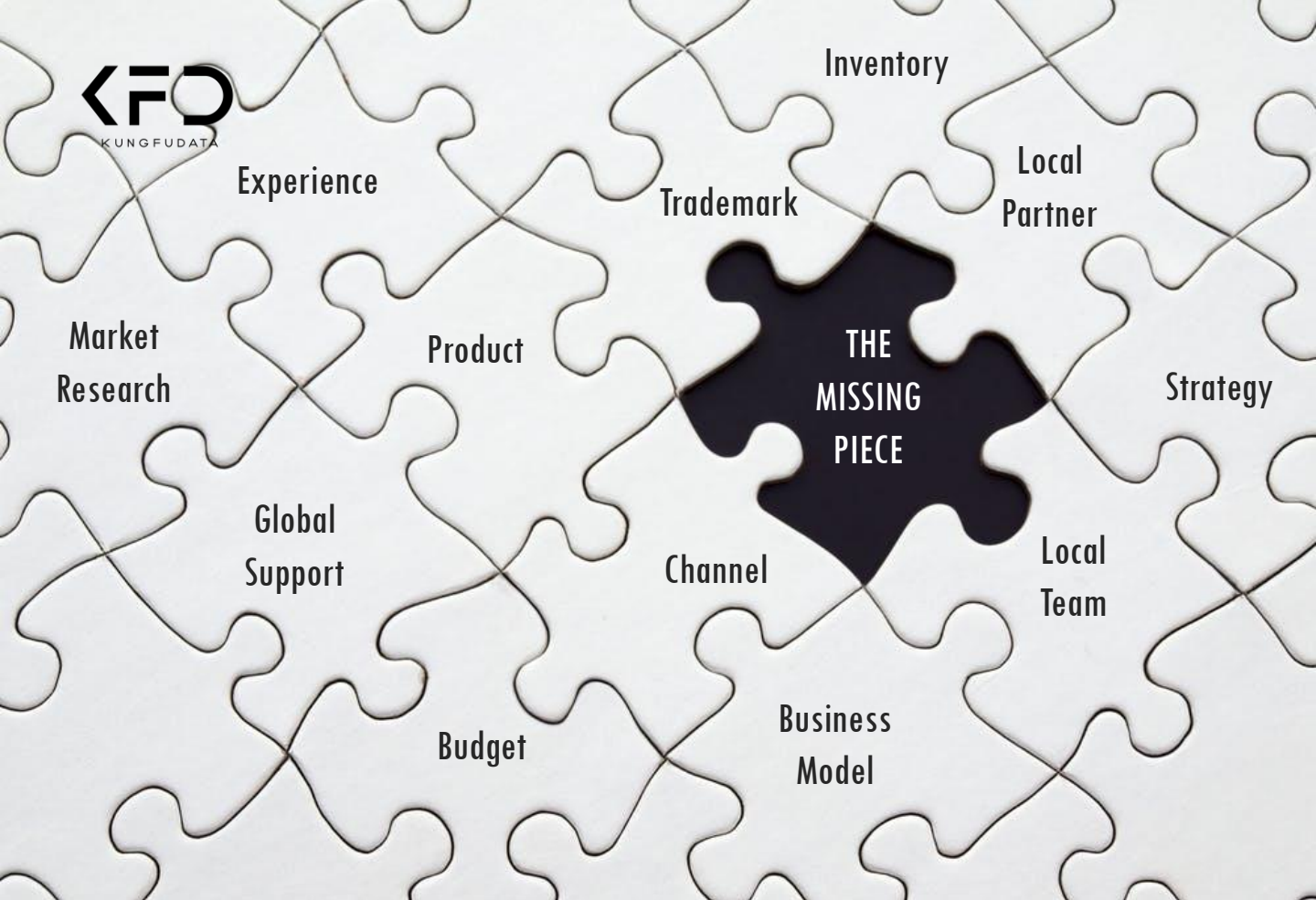
This is what happened in March 2018 and none of this happened in China:

- (1) They launched shoes made of trees.
- (2) They opened up pop up stores in Canada and started rolling out their PR strategy.
- (3) ...which got syndicated in China at a level that was huge. It was a massive syndication of content through trade media in China.

The combination of all three created a very viable commercial case. What's really interesting is **they didn't know they were getting traction in China.**

Instead of launching in April of 2019, they could have launched anytime after March 2018 and had the same commercial success. Direct to consumer strategies work in China because people follow people who follow brands...and this is exactly how things are happening.



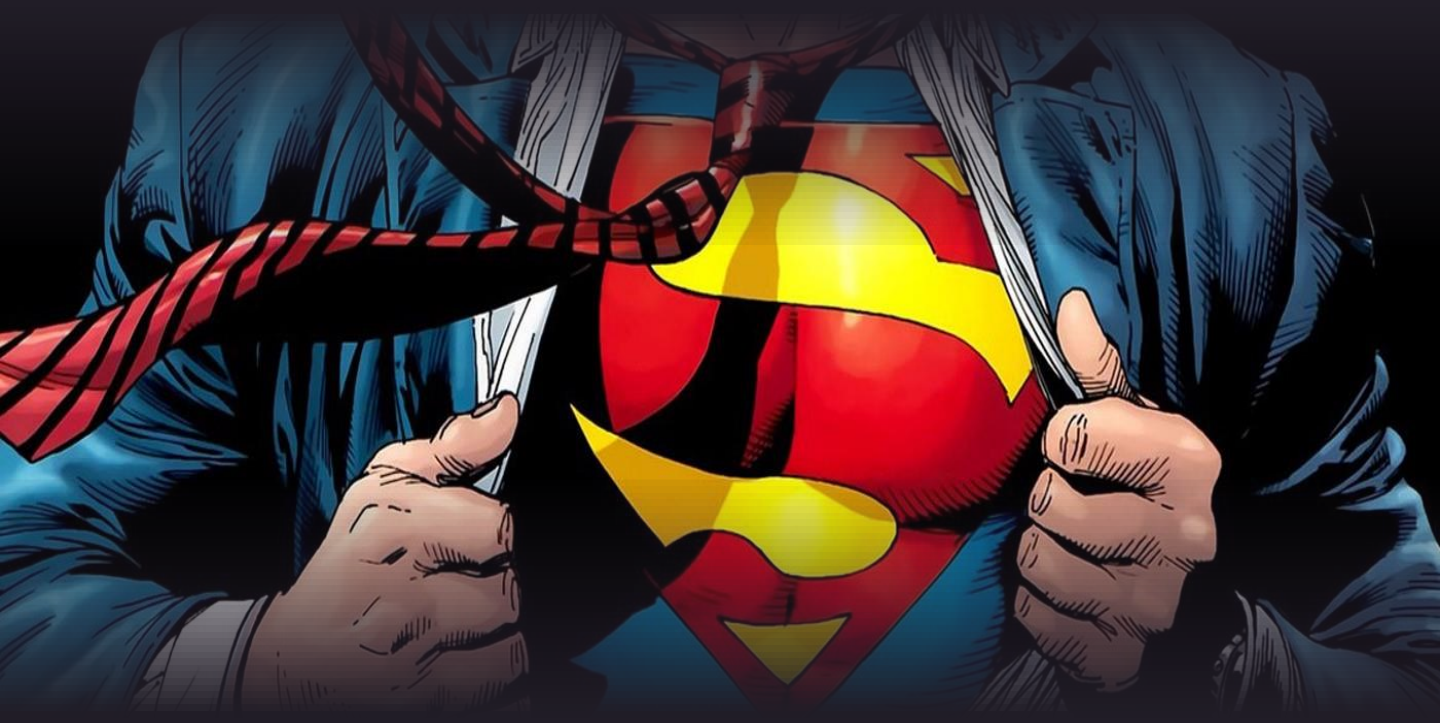


WHAT IS THE MISSING PIECE?

If you look at China e-commerce success as a puzzle, most brands (and individuals) come to me and they're confused.

They don't know what to focus on, so they have all of these different things they consider really important. Some people are focused on inventory and logistics and merchandising. Others are focused on ERP, some are on marketing, some on design. You know they're missing the biggest piece, the most vital component...activation.

The missing link is your activation level. It's the delta between people knowing about you and people buying from you; your brand strength. Here's one of my favorite quotes from Jack Ma: "When confronted with new opportunities, people tend to lose out in four ways: they don't see it coming, they turn their nose up at it, they don't understand it, or they're too late to adapt." I can keep it really simple for you because I've seen it hundreds and hundreds of times. Focus on activation, focus on resonance, focus on strength, and you can't go wrong.



TRACTION

Your brand's level of resonance with Chinese consumers. Nothing else actually really matters.



ABOUT US

Kung Fu Data's only goal is to help brands succeed in China regardless of what stage they are at: Whether it's ecommerce advisory or activating and optimizing a Tmall store, we leverage data and relationships to create that success.

 josh@kungfudata.com

 [/joshagardner](https://www.linkedin.com/company/kungfudata)

 [joshgardner](https://www.wechat.com/qrcode/index?scan_qrcode_action=scan_qrcode)