

The Growth of Chinese Digital Disruptors & what we can learn from them

EXCERPT

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Ogilvy

Executive Summary

In recent years, the Chinese market has seen several new local brands disrupt existing categories, evolving from challengers to competitors at unprecedented speed. This paper looks at how they did it and synthesizes those findings into six applicable learnings.

Meet some of the Giants



Perfect Diary is a cosmetics brand that was founded in 2017. They create bold, vibrant products with high-standard packaging and are masters at social media.

Yatsen Holding Ltd the parent company of Perfect Diary filed for a US IPO in November. Their current market valuation stands at around US\$ 12 billion.



Saturn Bird was born in 2015 in Changsha. They are the premium alternative, and the fastest growing brand, among instant coffees in China.

Saturn bird complete a B series funding round during September of \$14.4 million, and are currently valued at US\$ 120 million.



Genki Forest was established in 2016. They target health conscious post 90's consumers with their claim of 0 calories, 0 sugar, 0 fat.

Their market valuation grew 3.5 fold during the nine months after their last round of financing, bringing them to US\$ 2 billion.



Founded in 2014 by the former CTO of Baidu, NIU has emerged as a leader in the electric scooter segment, differentiating itself as a premium brand.

In Q3 2020 NIU registered a 67.9% yoy growth, and their current valuation stands at US\$ 2.4 billion.



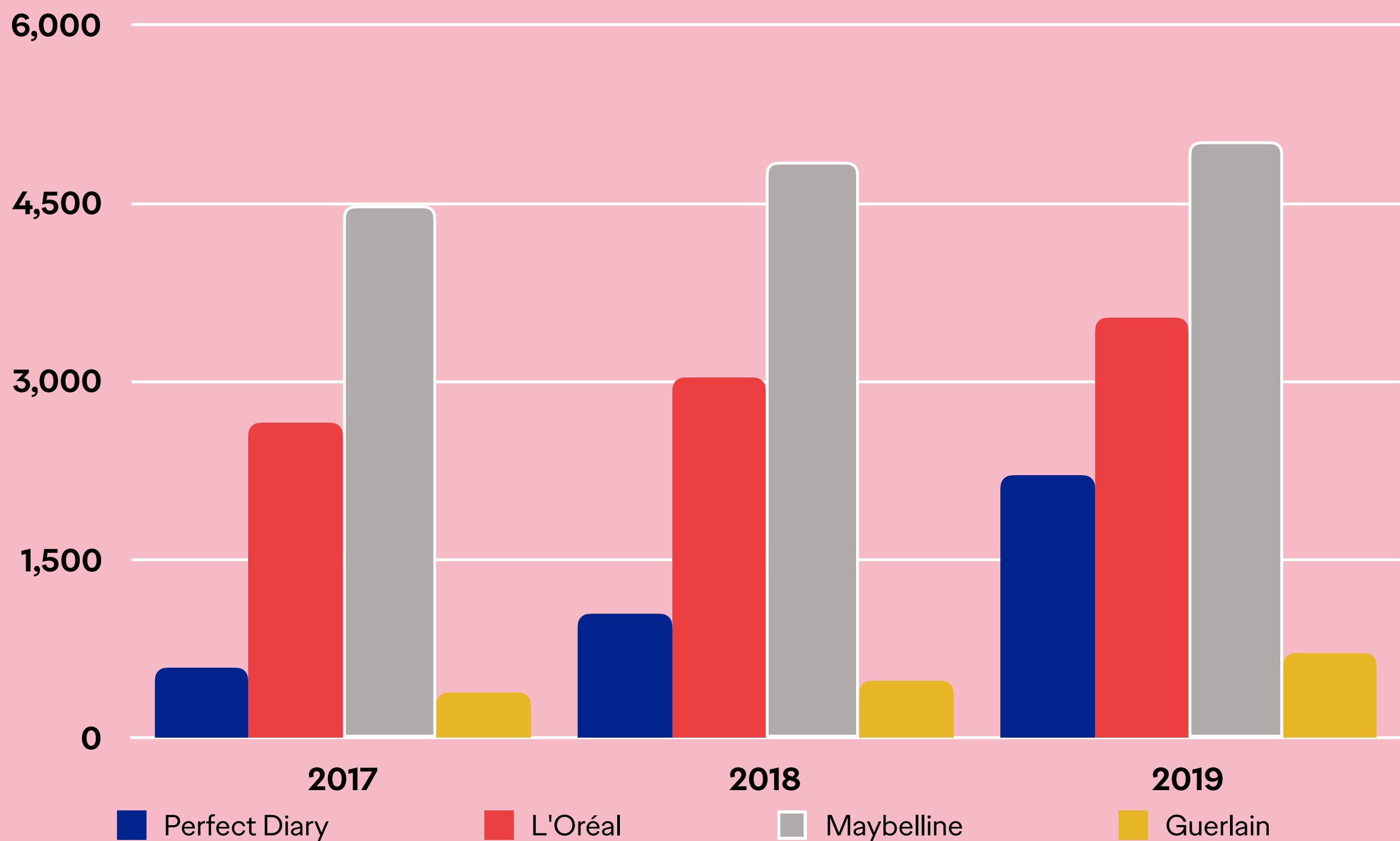
Founded in 2016, Ubras is a female underwear brand that combines high-quality fabrics and innovative technology at an affordable price.

Ubras completed a Series B funding round in September, and are currently valued at US\$ 15 million.

From minions to billions

Sales of Color Cosmetics

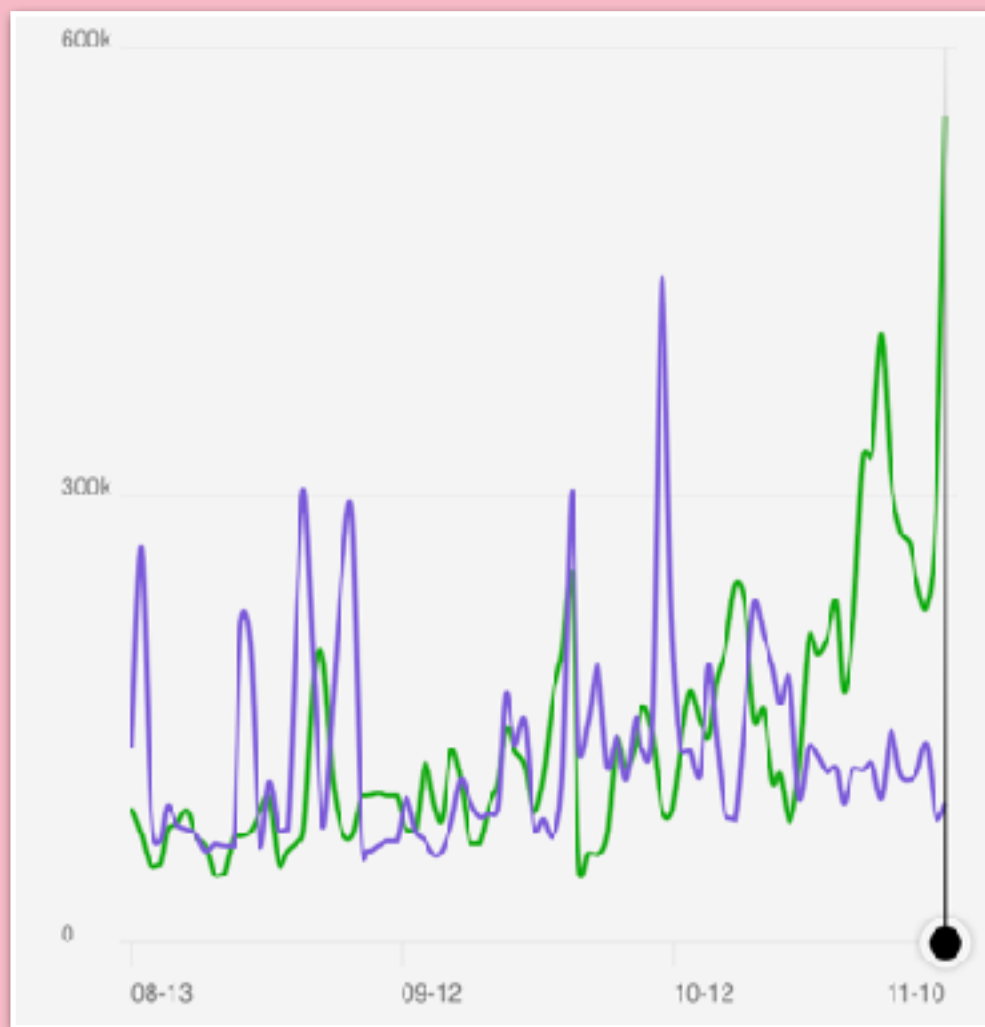
Retail Value RSP - CNY Million - 2017-2019



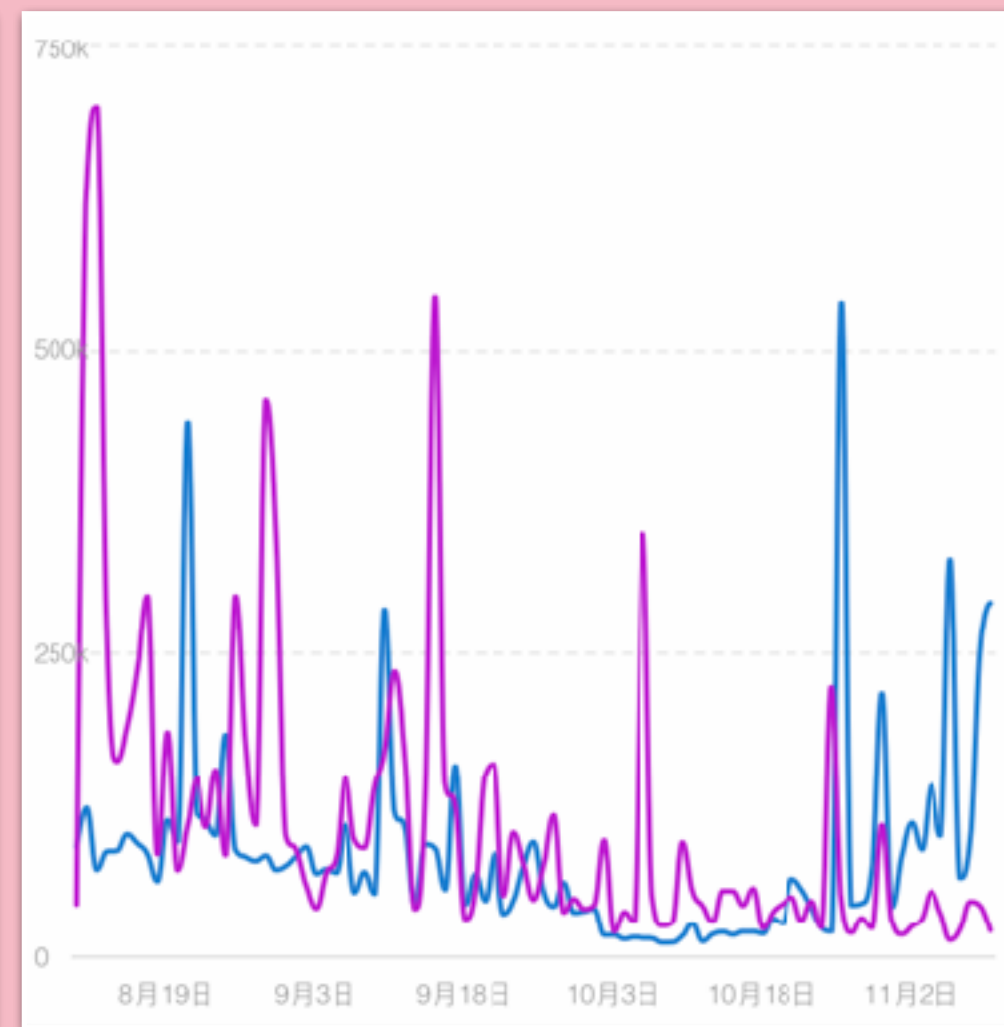
Compound Annual Growth Rate

Perfect Diary	56 %
L'Oréal	9 %
Maybelline	4 %
Guerlain	20 %

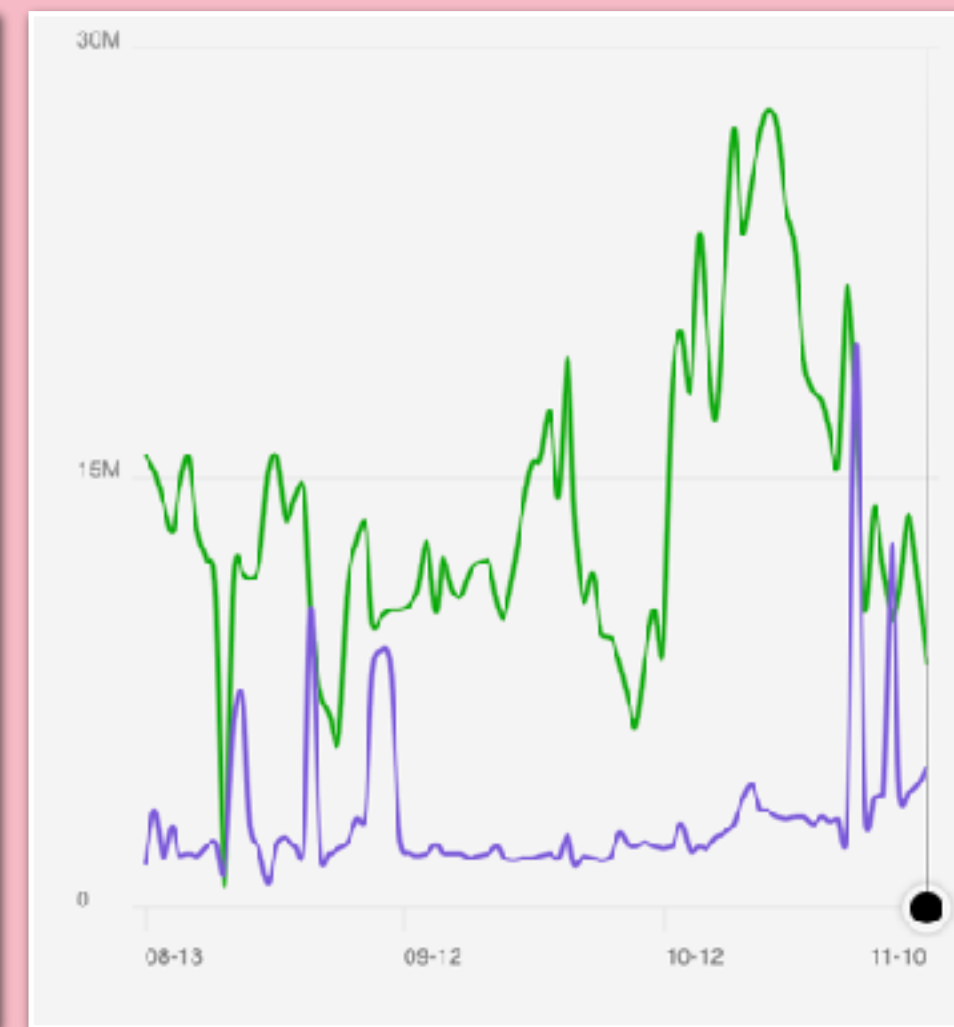
And they are not only towering over sales, they are taking over the conversation...



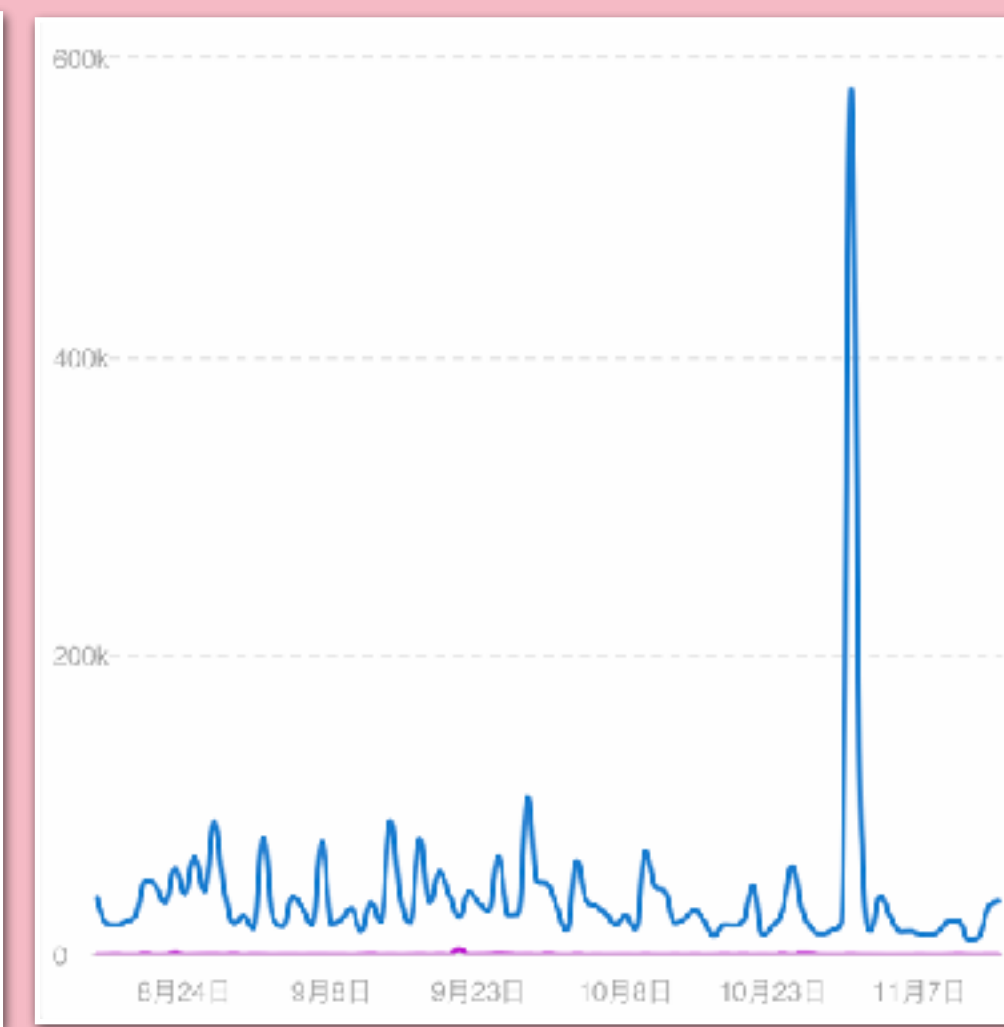
■ Saturn Bird
■ Nescafé



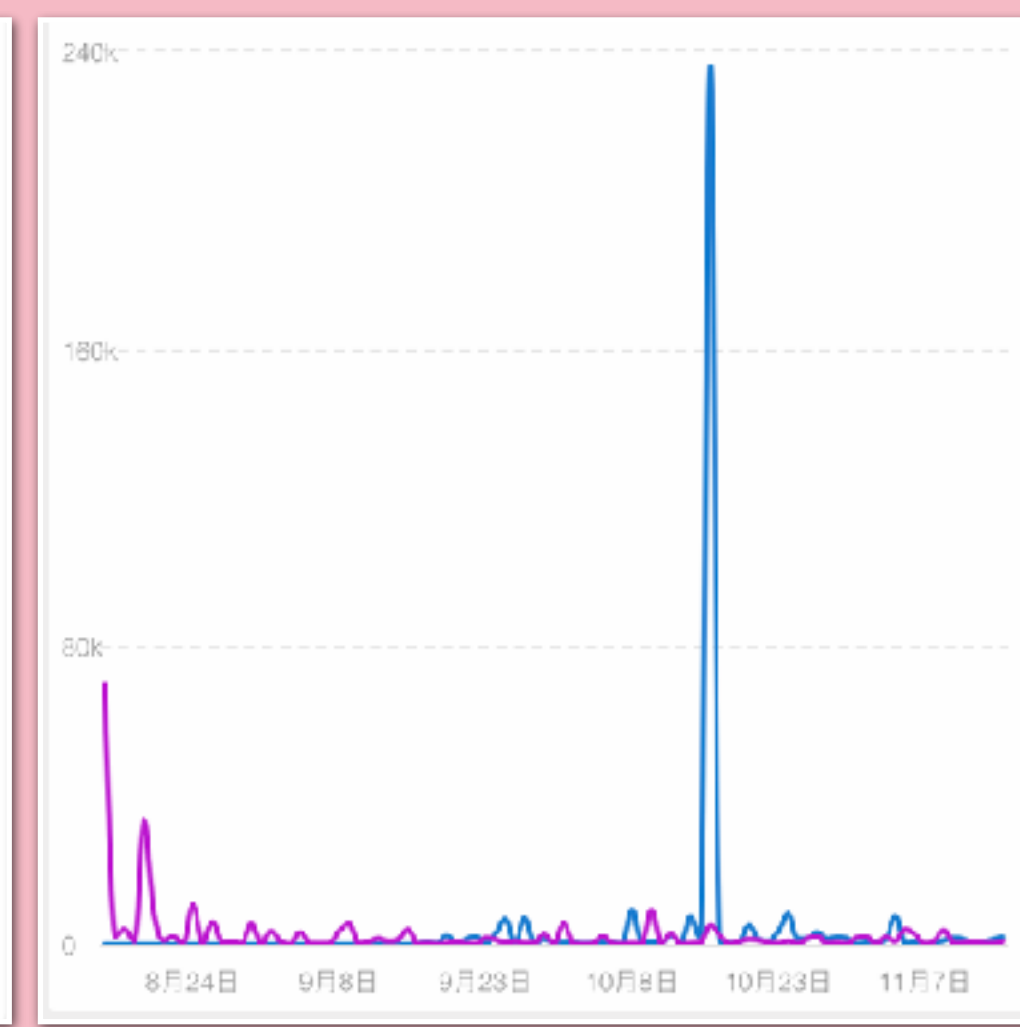
■ Genki Forest
■ Coca-Cola



■ Perfect Dairy
■ L'Oréal



■ NIU
■ Giant



■ Ubras
■ Victoria's Secret

So how exactly do they do it?

Learning 1

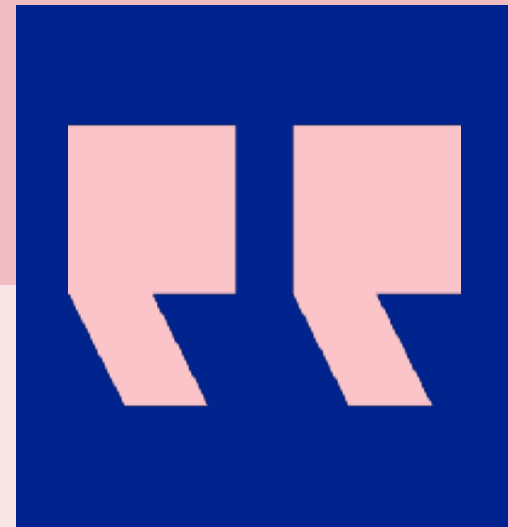
Build data-driven platforms that enable
brand launches and scaling at speed.

Traditional Marketing:

*Standard product
development & sales model*

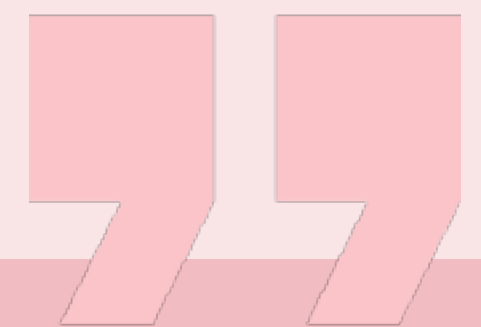
How they do it:

*Build platforms that
operate as product
incubators*



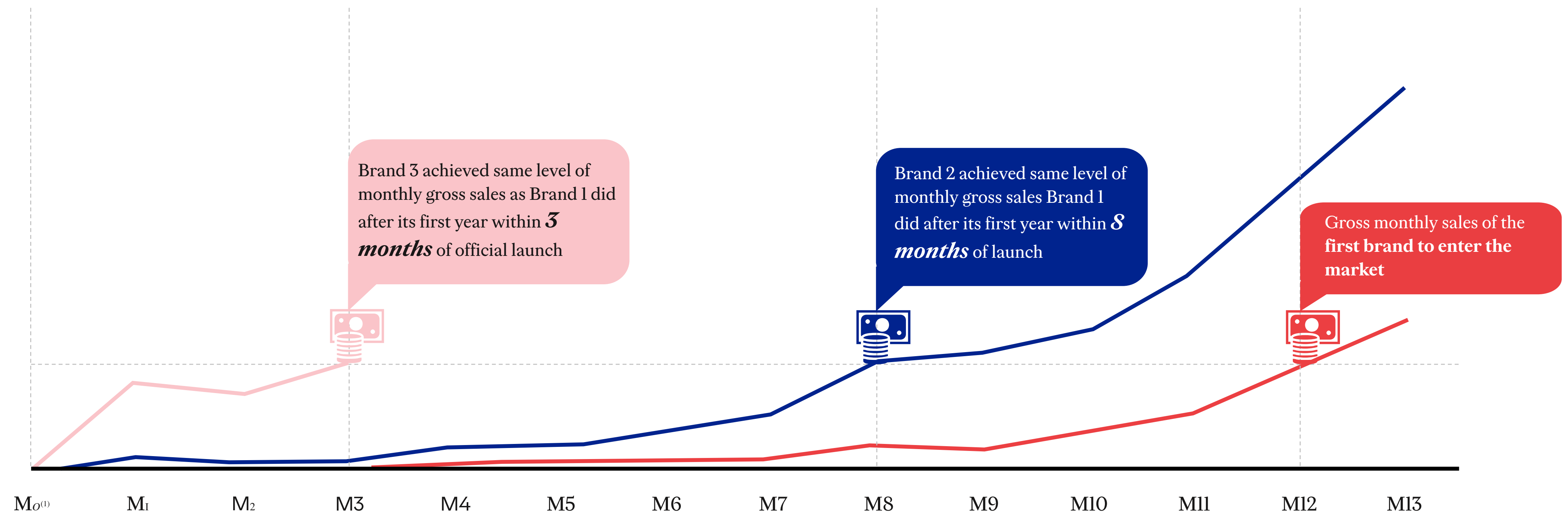
The company's flat team structure and constant coordination between product, operation, and marketing teams enables us to respond quickly and launch products that are popular among young consumers.

Vincent Chen, Co-founder Perfect Diary



A process that enables accelerated product innovation and sales

Illustrative Monthly Gross Sales



Learning 2

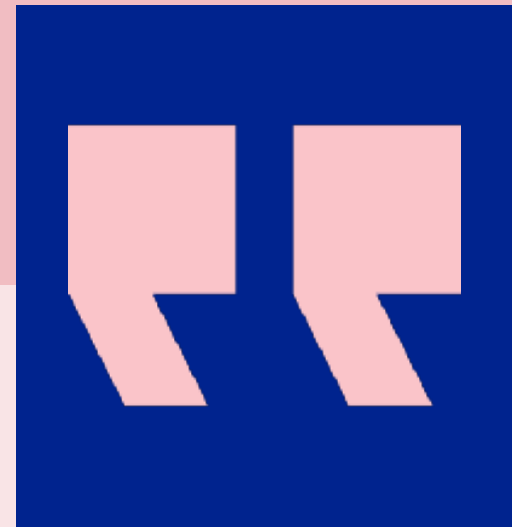
A disruptive and agile
“**circular process**” to marketing.

Traditional Marketing:

Slow, siloed, thought-through linear model

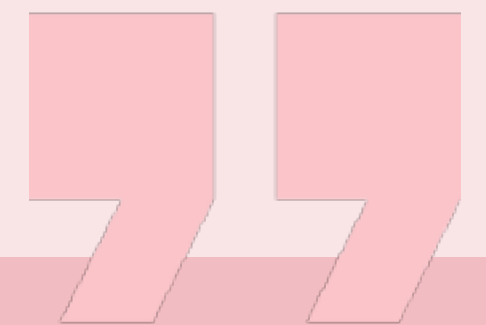
How they do it:

Opportunistic and proactive approach



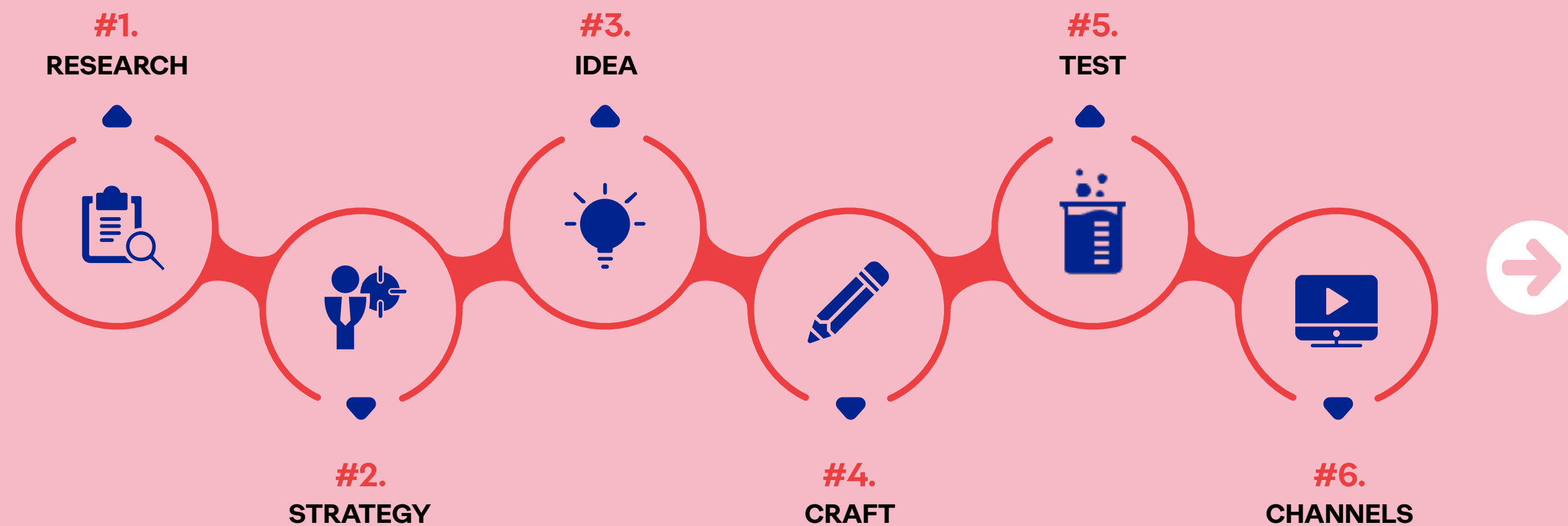
To us, the purpose of marketing is to maintain constant, dynamic communication with consumers; therefore, we never limit ourselves to a fixed strategy.

Vincent Chen, Co-founder Perfect Diary

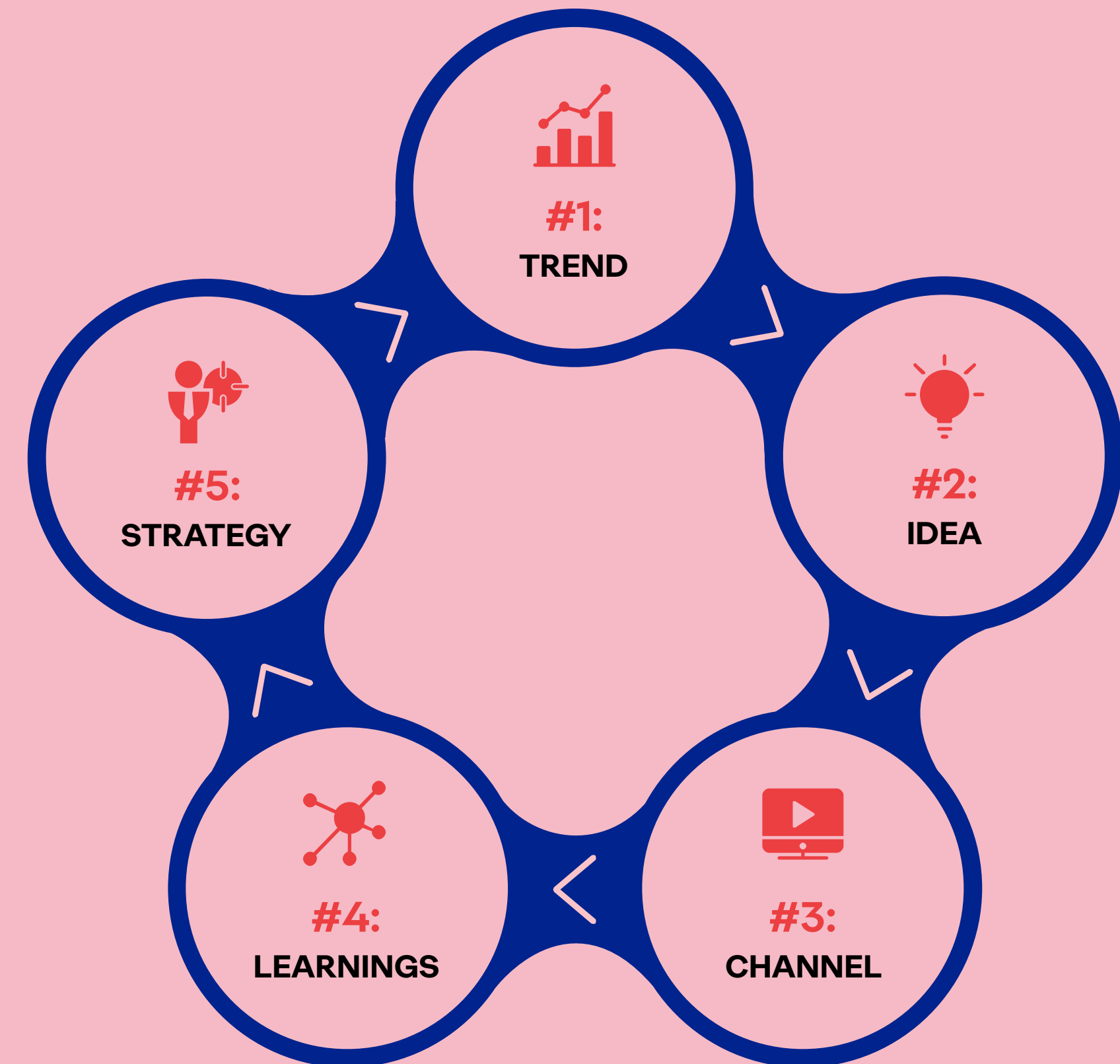


A speed to market and value model...

The Traditional Linear Approach



An 'Always-on' Business Model



Example 2

Saturn Bird

Nimble flavor adaptation
based on consumer
feedback.

CONSUMER CONVERSATION



Flavour “5” was praised by consumers, yet the other five sku’s were being criticized for being too sweet or having an artificial taste.

OPPORTUNITY RESPONSE



Saturn Bird upgraded every flavor (Except 5) prior to the 2020 D11 Shopping Festival.

Learning 3

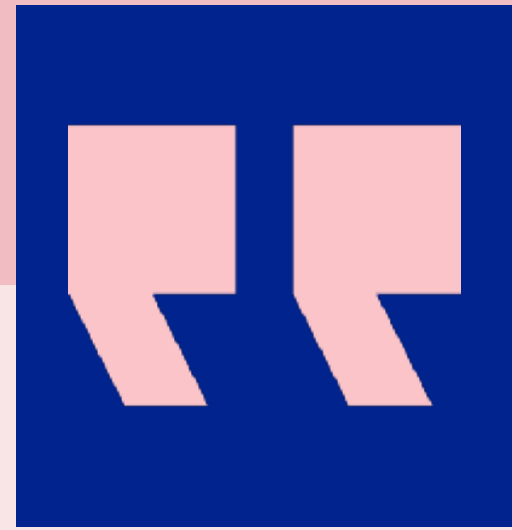
They may sell 'analog' products but
think and behave deeply as a digital company & brand.

Traditional Marketing:

View the Chinese digital ecosystem as cluster of disconnected marketing & media channels

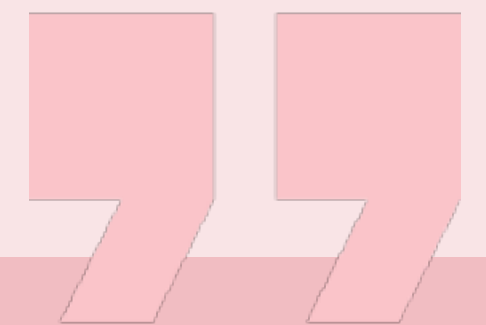
How they do it:

Use the digital ecosystem as holistic marketing services and go-to-market platform



We are just beginning to scratch the surface of what is possible, the ability to create connected, cross-channel programs is unparalleled, and it will take even greater collaboration to activate the potential.

Steve Chang, Former VP Tencent



Genki Forest's Ecosystem

SOCIAL

Eccommece Platforms

Digital Direct to Consumer & Influence

Convenience Stores

No Owned Channels

元気森林
GENKI FOREST

EXPERIENCE

PHYSICAL



Flagship Stores & IP Collaborations

Genki Forest has a presence on China's two biggest ecommerce sites. They have their entire catalogue, often sold in large quantities, which they maximize in sales during shopping festivals.



Exclusive sku's, product bundles & shopping festival activations

COMMERCE



Convenience Stores

Genki Forest's primary offline sales channels is through major convenience store chains such as Lawson and Family Mart where they sell their most popular sku's.



Social Platforms

Genki Forest engages young audiences with diverse content, from short comedic videos o Douyin to animated series on Bilibili. It also has a Wechat MP selling D2C and rewards to members.



Always On



D2C Channel



Video Content Platform



KOL/KOC Platform



Artist Collaborations

KOL content seeding & interactive mechanics to drive engagement



*Celebrity “袁冰妍”
Endorsements*



*KOL live-streaming
with product seeding*



*Store fans lucky draw
“Genki Forest + La Mian Talk”*



*Store official
lottery activities*

Learning 4

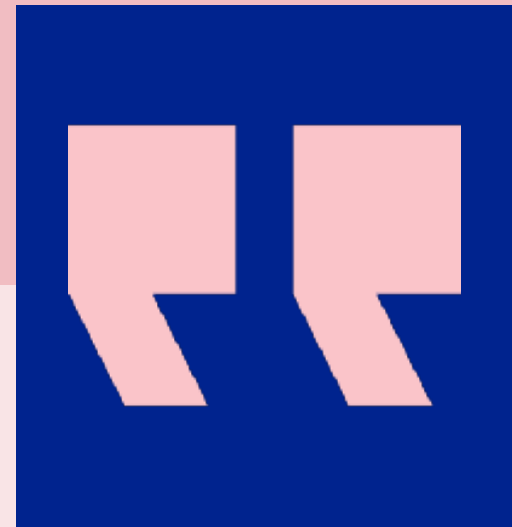
Social as not just a conversation channel but a
conversion platform.

Traditional Marketing:

Treats social as a way to influence and talk to consumers

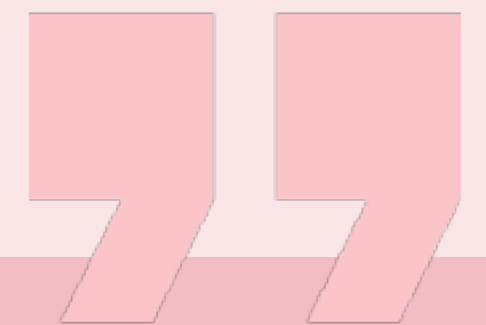
How they do it:

Use social to generate superior insights, build communities around brands, and drive commerce

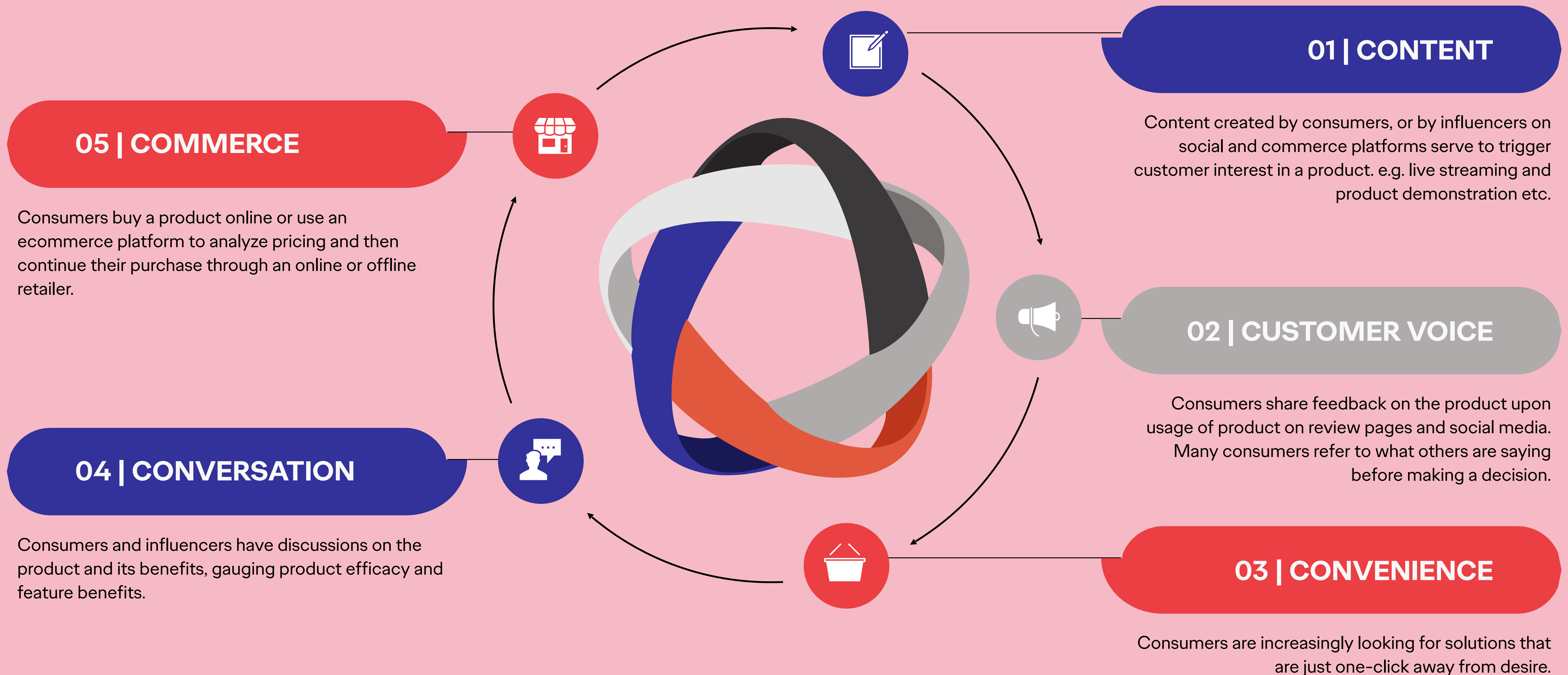


We increased by analyzing consumer preferences on Tmall, to see what consumers need and want, based on which, we expanded our business through live commerce and short videos. Nearly half of our transactions were generated through live and short videos.”

Concon, Founder of Ubras



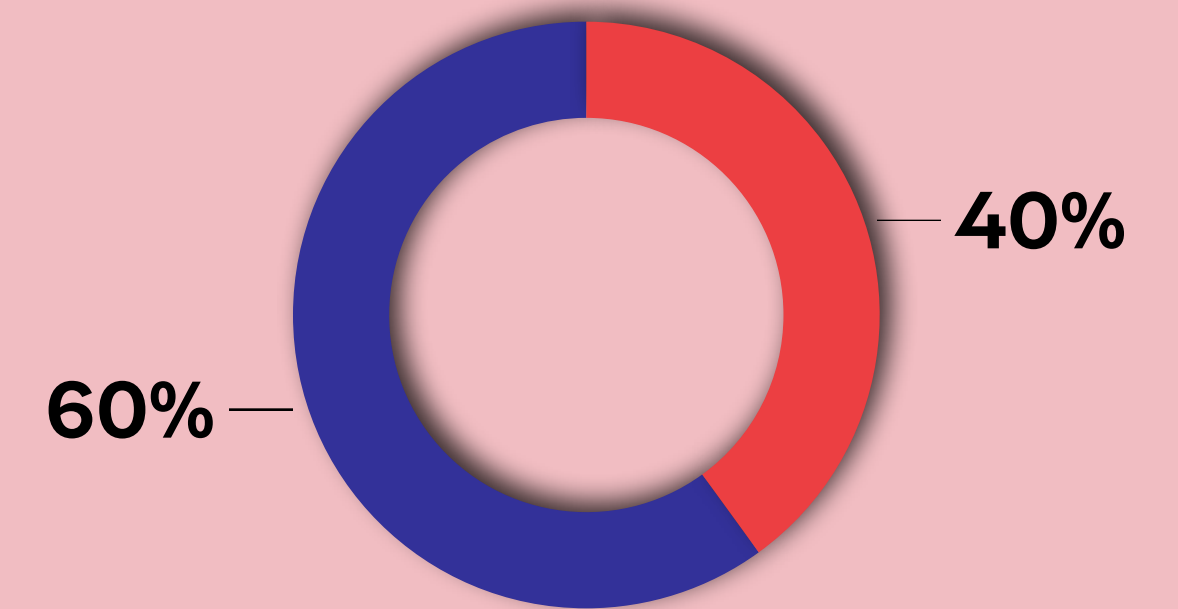
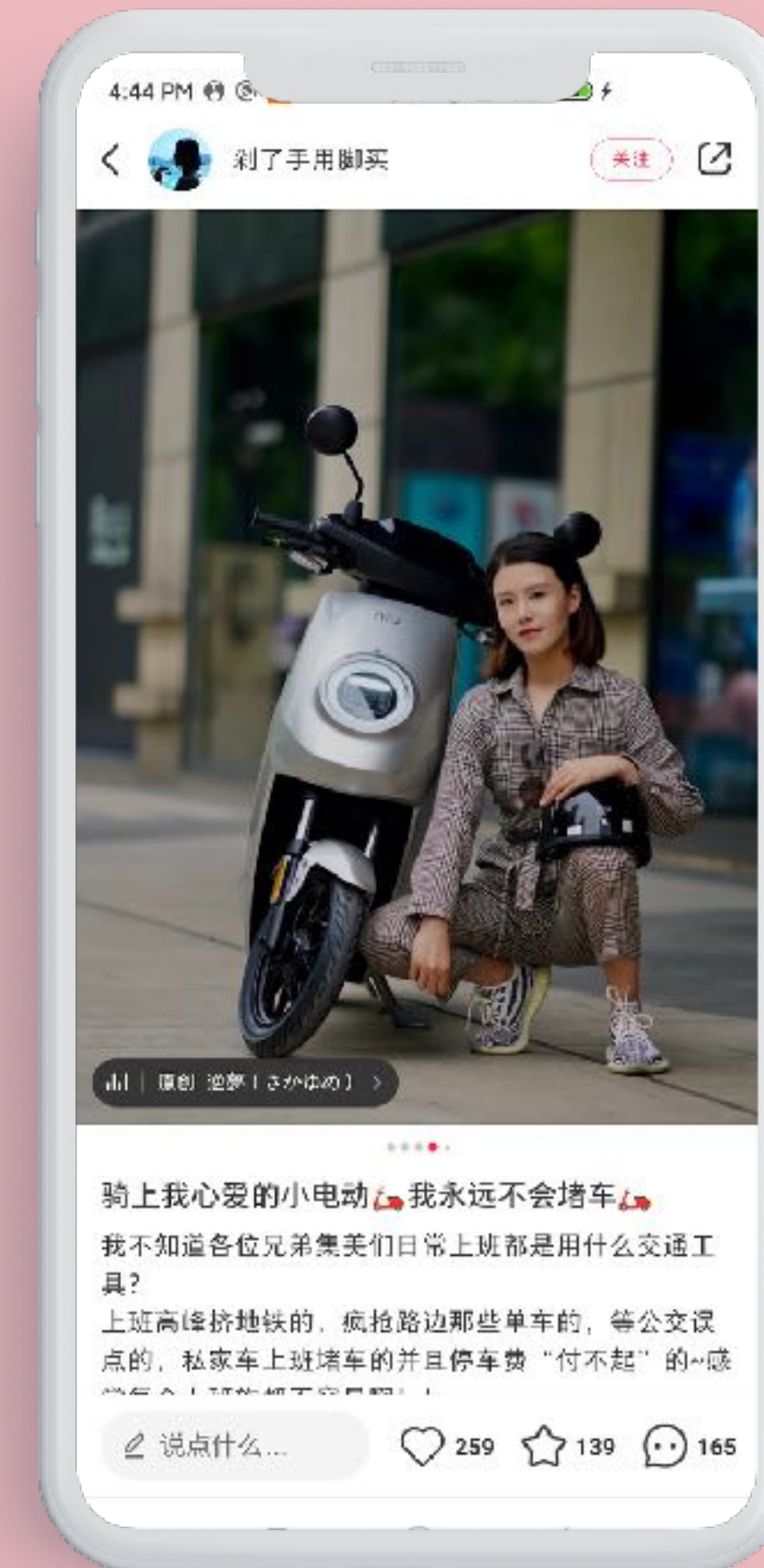
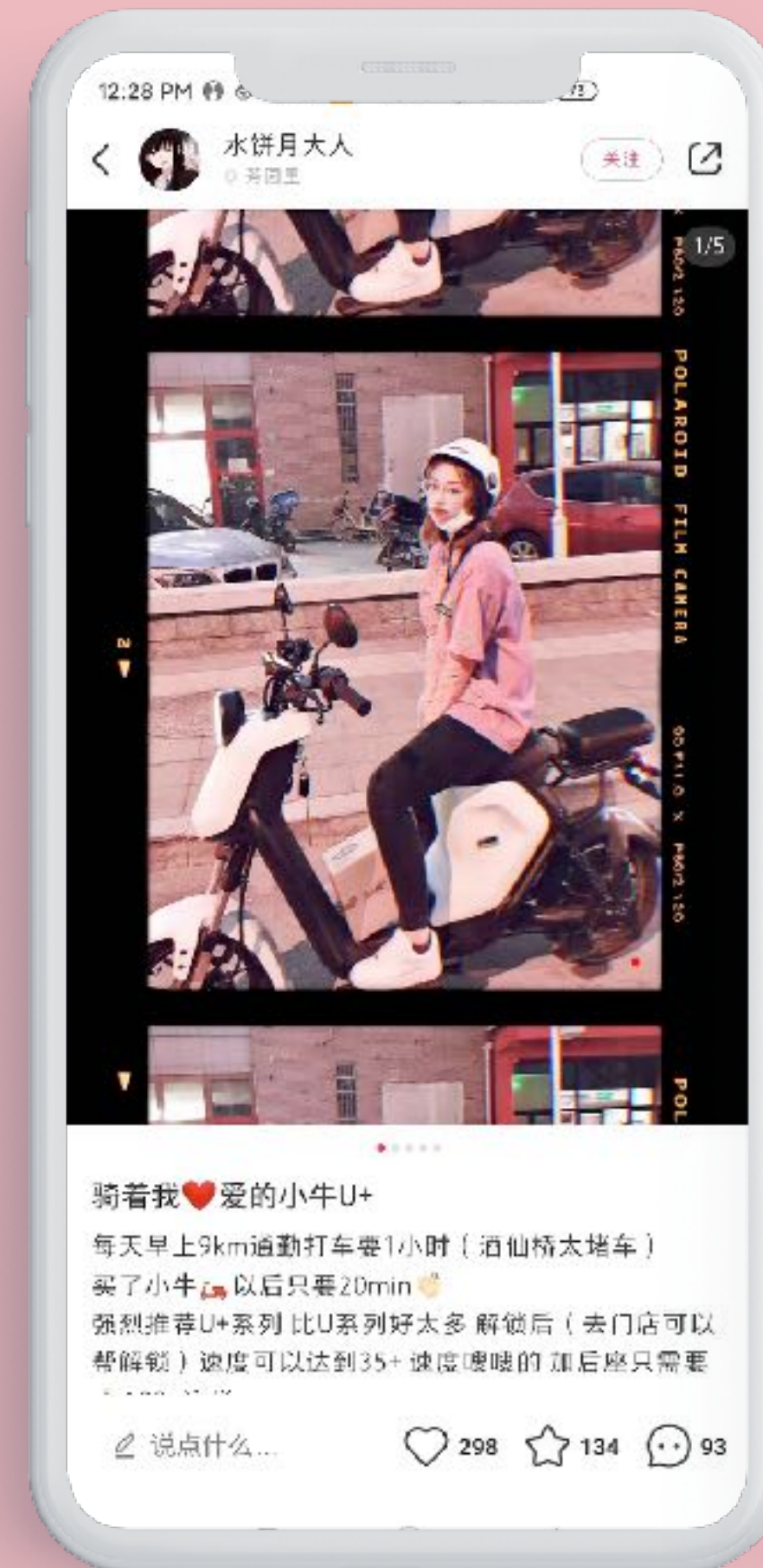
Chinese Giants understand the never-ending loop between Social & Commerce that feeds each other...



Example 3

NIU

One-stop-full-service
WeChat Mini Program
combined with member-
get-member incentivizing
sharing.



*40% of the brands sales
growth is attributed to UGC-
based awareness & referrals.*

Learning 5

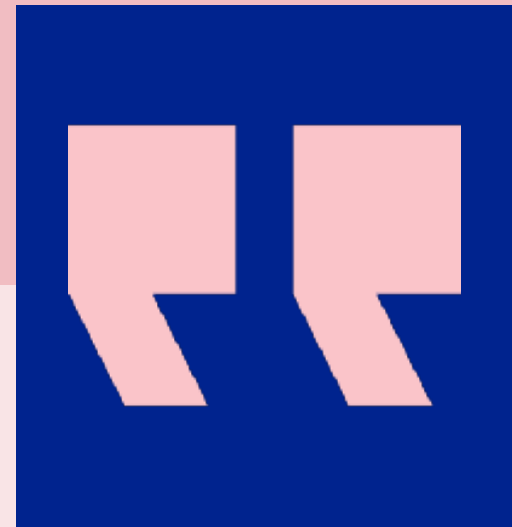
They actively design products and packaging
for social commerce.

Traditional Marketing:

Reduce product and packaging to visual guidelines and standing out in shelves

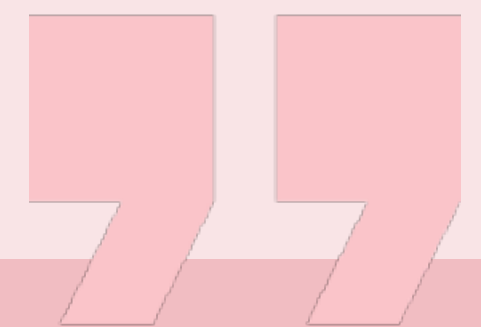
How they do it:

Develop products & design packaging for a social world that triggers conversations



We can attribute the phenomenal growth rate of Perfect Diary to two things. First, we believe in the power of a good product, both the actual product and how it is presented, so we attach great importance to our products' packaging, concept, and quality.

Vincent Chen, Co-founder Perfect Diary

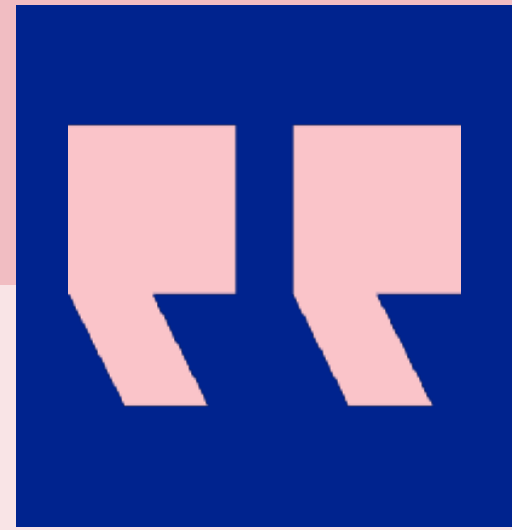


Learning 6

IP & Collaborations to
create brand new news and sales

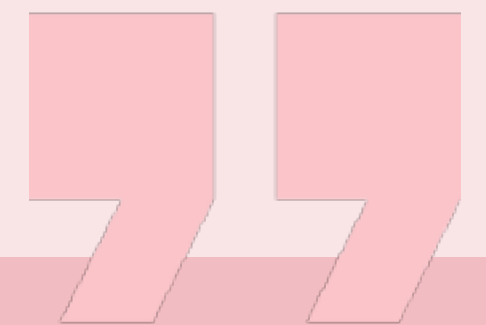
Traditional Marketing:
*IP & collaborations as
sponsorships and awareness
drivers*

How they do it:
*Build IP's and
collaborations that create
new conversations and
drive sales*



There are three things that we should consider to make creative products: optimization of supply chain, improvement of products and consumer experience, and catch the change of flow and media. And I believe having IP collaborations is very helpful to ‘rob’ the flow from other brands.”

Wu Jun, Founder of Saturn Bird



Example 2

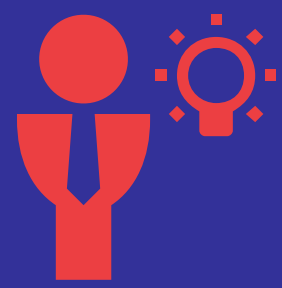
NIU

Tapping into the anime sub-culture by launching an IP collab with Mobile Suit Gundam for their 40th anniversary.

This Double 11 IP Collab included limited edition scooters with design elements from the popular anime series.



In Summary...



To become a Giant, we need to rethink the marketing approach

01

Don't be satisfied with a standard **product development & sales model**

Build data-driven platforms that **operate as brand incubators**

02

Don't restrict your go-to-market to a slow and siloed **linear model**

Disrupt go-to-market with an agile and opportunistic **circular model**

03

Don't view the digital ecosystem as a cluster of disconnected **marketing and media channels**

Use it as a holistic **marketing services and go-to-market platform**

04

Don't limit social to **influencing and talking to consumers**

Use social to **generate superior insights, build communities around your brand, and drive commerce**

05

Don't reduce packaging & product to visual guidelines and **standing out in shelves**

Develop products & design packaging for a social world that **triggers conversations**

06

Don't view IP collaborations as just **sponsorships and awareness drivers**

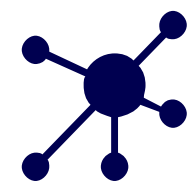
Build IP's and collaborations that create **new conversations and drive sales**

What Ogilvy can help you with...



01

Build a data-rich enterprise operating ecosystem that allows you to innovate, launch and scale new products and services at speed with increasing efficiencies.



02

Design, establish and operate a circular marketing services platform.



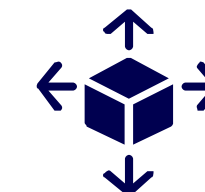
03

Conduct a design thinking workshop to enable you to rethink as a digital disruptor brand.



04

Develop and operate your social commerce strategy as well as integrate the tech and data backend to optimize it.



05

Bring in best-in-class design experts to develop social first products & packaging.



06

Connect, create and embed your brand deeply with IP and collaboration to maximize its investment.

Get in touch to learn more about the full report with in-depth analysis, case studies, and discuss how to apply these learnings to create meaningful impact for your business.

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Appendix

Financial data of Niu, Giant

Source: *Annual Reports, Niu ; Annual Reports, Giant*

Financial data of Ubras, Bananain

Source: 「*Bananain*蕉内」完成数亿元A轮融资，成为国内近十年来估值最高的内衣公司 | 36氪独家, *Sina*, Nov, 13, 2020

Purchase habits of coffee consumers

Source: 从0到天猫类目第1，三顿半是怎么做到的? *July, 31, 2020*

NIU UGC Strategy

Source: 敲了钟，赚了钱，小牛接下来要做什么? *Dec 5, 2018*

Perfect Diary & private traffic through Xiaowanzi

Source: *Fictional Influencer “Xiao Wanzi” is Perfect Diary’s Secret to Success, Jing Daily, Sept, 2019*

Perfect Diary launch crossover editions

Source: 【IP+美妆】完美日记地理眼影案例分析, *Nov 14, 2019*

Saturn Bird Market Share

Source: Euromonitor Portal - Instant Coffee Industry Report 2020

Perfect Diary Market Share

Source: Euromonitor Portal -Color Cosmetics Industry Report 2020

The Greatest Threat To Global Cosmetics

Source: Forbes, Lauren Hallan, June 24, 2020

Perfect Diary Growth Model

Source: Yatsen IPO Roadshow Presentation, November 2020