



RETENTION MARKETING IN CHINA STRATEGY GUIDE

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ELIJAH WHALEY

Chief Marketing Officer



elijah@parklu.com



elijahwhaley



elijahwhaley



+86.135.2150.0226

I have been ruminating on customer retention for years. Customer acquisition cost (CAC) data from KOL marketing campaigns initially spurred my interest in the subject. For some organizations, CAC is outpacing customer lifetime values (LTV), let alone one-time customers. The reality is, there is little companies can do to reduce CAC online as the gatekeepers (social/e-commerce platforms and KOLs) hold the keys to customers' attention. The economics of consumer attention is such that ROI is out of whack and out of the control of brands. This insight led me to look for arbitrage opportunities elsewhere. I now believe a focus on LTV can countervail CAC.

Warning! Retention marketing is not sexy. Retention is complex, with no one-size-fits-all solution. Retention marketing is a symphony of hard-fought customer-pleasing efforts. Brands can build lasting customer relationships by investing in everything from clean bathrooms to AI-driven Key Opinion Customer (KOC) programs. The one constant is that retention is not easy. Remember this: extreme heat, pressure, and time produces diamonds, and the tasks that are most difficult are often those with the highest potential value.

Retention is dynamic and complex, often requiring agile thinking and power structures that give employees, and even customers, the ability to act in the brand's best interests. To me, packaging design is the best demonstration of the need for a shift in the way brands think about retention. Product photography is a moonlighting passion of mine. Each year, I take thousands of product pictures for beauty brands, and I cringe every time I see a glass bottle with a silver logo or a shiny black plastic case with gold text. Armed with professional lighting and thousands of dollars of camera gear, I often struggle to make a product's labeling visible. How much more difficult have these designs made it for customers to share these products with friends on social media? Word-of-mouth (WOM) is the single most impactful form of marketing. However, a lack of consideration for the potential impact package design can have on advocacy is ultimately crippling organic uplifts in LTV.

Customer retention is so fundamental that it should be considered before all other things. What good is a churned customer? Or worse, how bad is a disgruntled customer who spreads a negative narrative to their circle? Repeat customers are the backbone of almost every brand's revenue. It is the opaqueness of most brands' ability to retain customers that creates insecurity around engaging with some of the most effective yet expensive customer acquisition channels, like KOL marketing. That is why we have created this retention strategy guide. Our goal is to help brands implement the most effective retention marketing strategies and technologies used in China today.

Retention & ROI Mindset

The entrepreneur and internet personality, Gary Vaynerchuk, is in a boardroom pitching to the C-level executives of a potential client for his marketing agency VaynerMedia. One of the C-level executives keeps interrupting Gary to ask, “But, what’s the ROI?” After being interrupted several times, Gary looked at the executive and said, “What’s the ROI of your mother?”

For any of you that have watched Gary Vee on YouTube, you understand he has a crass way of communicating profound concepts. Gary then went on to explain what he meant: Your mother kissed your boobies, tucked you in at night, cooked for you, prayed for you, disciplined you, and praised you. She was arguably the most crucial component of turning you into the person you are today with all the contributions you now make in the world. Your life is your mother’s ROI.

What single action that your mother took triggered your current performance? Which time did she nurse you back to health that elicited your charity? What evening was it when she forced you to study that induced your current ability to innovate? The reality is, there is no single action that your mother took that resulted in the value you now produce. We can not measure the ROI of any single action of our mothers.

The same is true in commerce. To attribute a single brand action to revenue is foolhardy.

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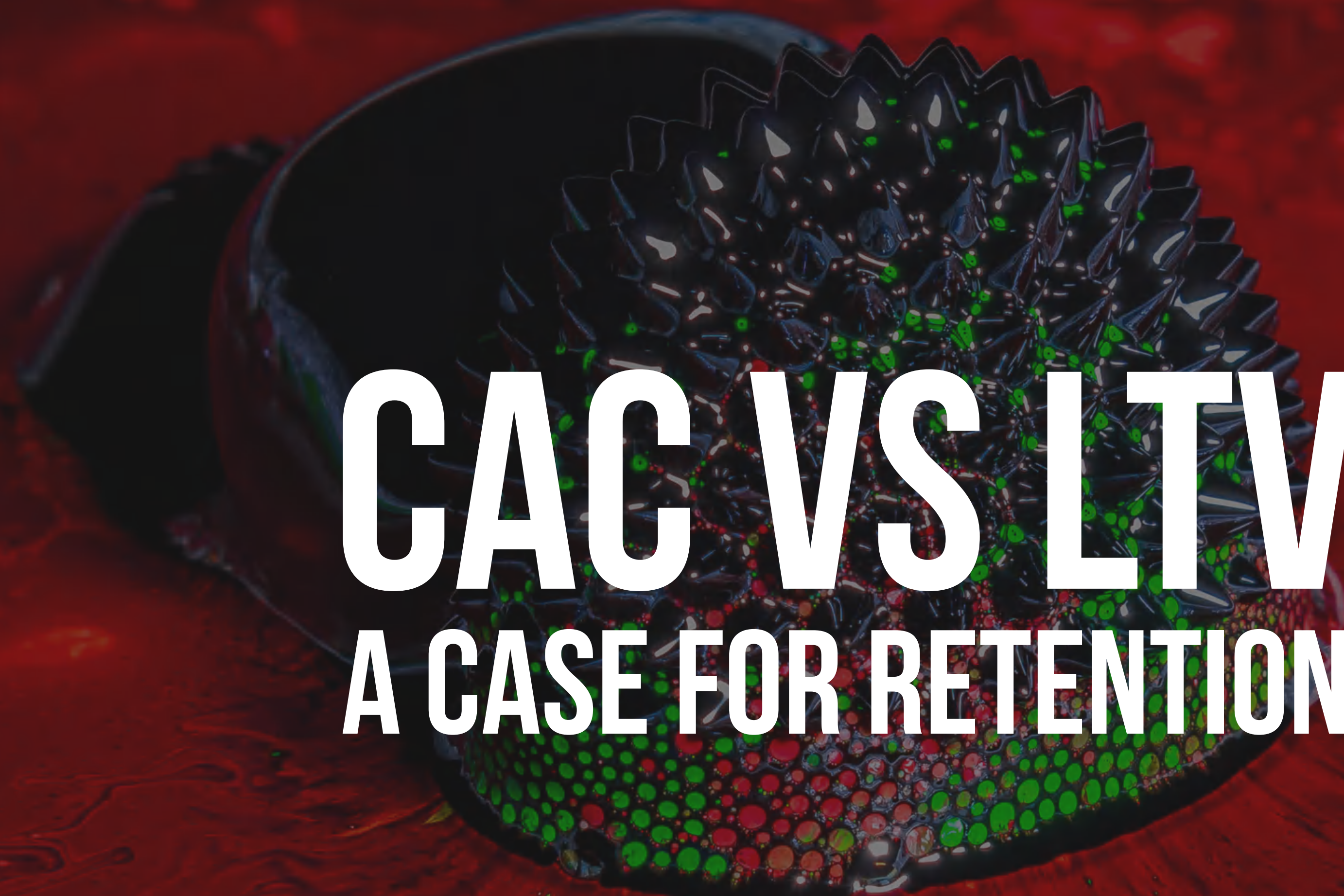
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CAC VS LTV

A CASE FOR RETENTION

Abstract

Tens of thousands of new products appear in the Chinese market each year, but up to 70 percent of the new products can survive no more than 18 months. Forty-four percent of FMCG brands claim that their number one challenge is the high acquisition costs with low return on investment. - Nielsen

There are more social, content, and e-commerce platforms today than there were five years ago. However, the rise of many new scalable channels has only served to fracture potential customers' attention further. The by-product of this is the increased cost and complexity of acquisition. Compounding the situation, shifts to social commerce and Direct-to-Consumer (DTC) models have increased the total number of new brands competing for customers' yuan.

Some businesses have been able to mitigate increased competition by using better data and adopting New Retail strategies to be far more targeted and omnipresent in their acquisition efforts. We've seen that access to data can boost efficiency on e-commerce platforms. But the e-commerce platforms are gatekeepers, and from 2015 to 2018, the leading e-commerce platforms increased CPM advertising costs by 286 percent.

The reality: The cost of customer acquisition has been rising and will continue to increase, and there is little brands can do about it.

The takeaway: Brands should focus on what they can control.

How brands interact with their current customers is the most significant point of leverage for improving LTV, defending against competitors, and lowering CAC. Due to the interwoven nature of the buyer's journey in China, if brands improve customer retention, other parts of the buyer's journey will also enhance, enabling new opportunities elsewhere in the buyer's journey. In the right circumstances, this can become a positively reinforcing cycle that compounds with each customer.

There is strong evidence that Chinese customers are increasingly disloyal, which has the modern Chinese marketer focused on marketing to growing traits of disloyalty. But in fact, it is customer retention that is ripe for innovation, and that's where brands should be investing resources.

THE TYPICAL CHINESE CUSTOMER REQUIRES 8 BRAND TOUCHPOINTS BEFORE MAKING A PURCHASE DECISION. THAT'S 4 MORE THAN WESTERN CUSTOMERS.

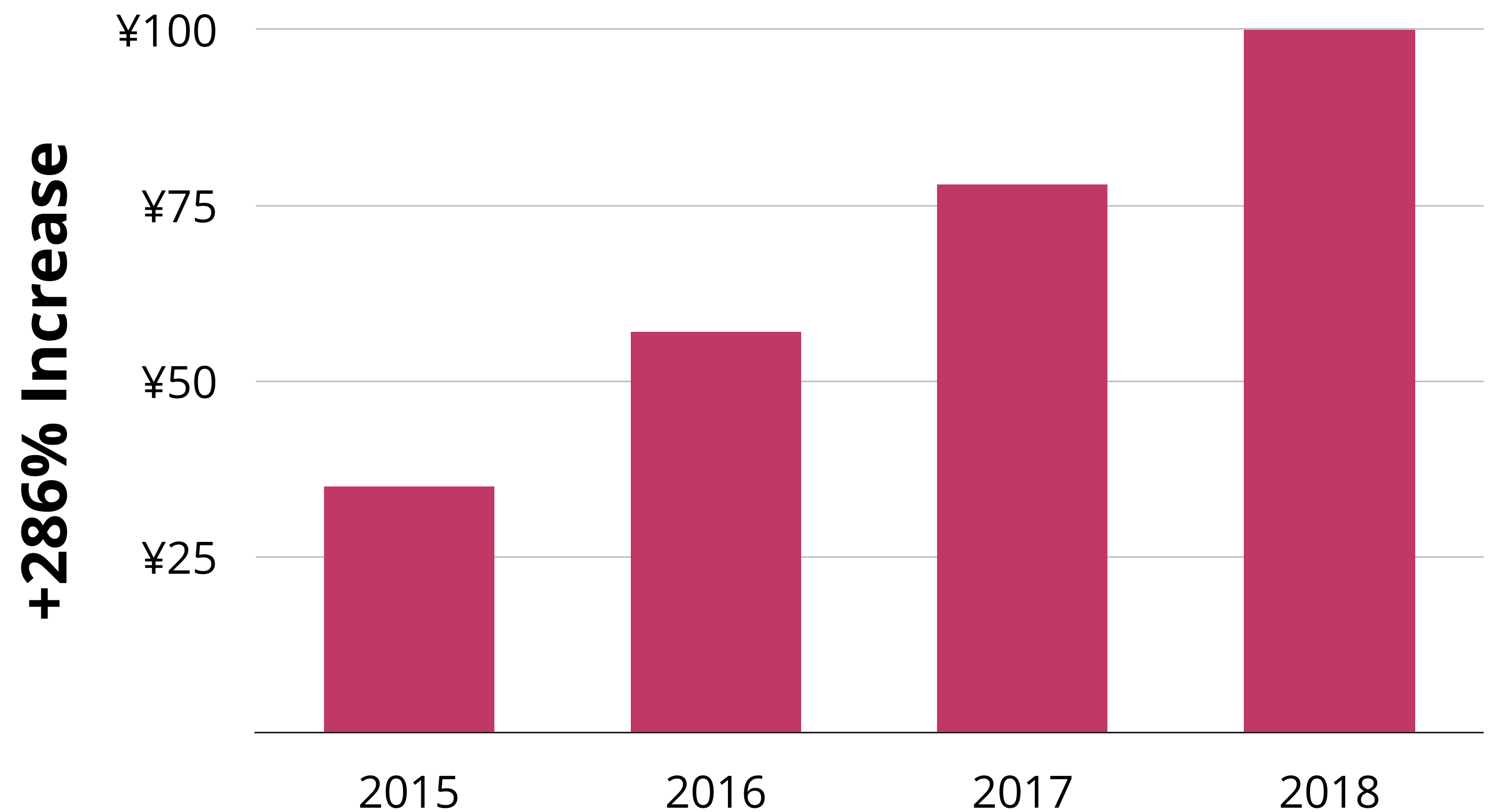
— MCKINSEY CHINA

Guanxi, a social exchange mechanism built on mutual favors and a high-context culture, significantly impacts the Chinese' buyer's journey. Chinese customers have a greater need for implicit brand communication of value propositions and trust built by reciprocity. Because individual identity is rooted in group affirmation, acceptance of a brand or product requires broader approval. This type of consumer pragmatism also impacts the pace of change and acceptance of new products, especially when there is already a communally accepted incumbent product. Chinese customers' desire for context increases the number of sources of information needed to make a decision, which increases brand touchpoints in the buyers' journey.

As a result, each acquisition of a Chinese customer can be intrinsically more expensive when compared to the West. Each customer a brand acquires, especially in early growth stages, is that much more prized, and each is critical to broader acceptance by that customer's community. Brands must maximize the value of every customer by leveraging cultural norms that drive propensities to remain loyal and advocate for the brands they choose.

There was a notable increase in the cost of CPM advertising on leading e-commerce platforms from 2015 to 2018. Even though e-commerce ads can be a particularly important part of driving in-platform conversions, the high costs are forcing brands to innovate with high-conversion awareness generating initiatives like live-streaming KOLs.

Paid Media CPM on Leading E-commerce Platforms



Unfortunately, the fees that KOLs charge are not standardized and can vary widely on any given platform. KOL fees also change over time. For instance, KOL fees on Douyin dropped dramatically on Douyin in 2019 due to an increase in the total number of active KOLs, while Xiaohongshu KOL fees increased 2~3x due to stricter KOL marketing platform rules.

Platform advertising fees also change over time, and costs can span a wide range depending on the type, targeting, timing, and placement of ads. For instance, WeChat largely resisted in-platform ads for a long time but has slowly added options, from Moments video ads to content banners. In addition to splash ads and post boosting, Weibo employs a (Real-Time Bidding) RTB system.



*Based on avg. fees



*Range of CPM fees

Although KOLs are a critical touchpoint in many buyer journeys, the CAC can be tough to swallow for brands and sometimes even outpaces LTV. The low probability of positive direct sales ROI has led some brands to measure campaigns in terms of brand marketing. Brands are also heading further down the funnel to work with livestreaming and e-commerce KOLs. However, livestreaming KOLs come with their own high costs and new sets of challenges, especially when it comes to pricing strategies and generating repeat purchases.



*Based on avg. fees and estimated conversion rates

LOYALTY'S VALUE

CUSTOMERS ARE A BRAND'S MOST VALUABLE ASSET

- Acquiring a new customer is 5 to 25x more expensive than retaining an existing one - HBR
- Increasing customer retention by 5% can increase profits from 25-95% - HBR
- Returning customers spend 67% more than new customers - Bain
- Loyal customers are 5x as likely to repurchase, 5x as likely to forgive, 4x as likely to refer, and 7x as likely to try a new offering - Temkin

01 DRIVES ACQUISITION

Improving retention sets off a self-reinforcing cycle

Social media sharing, user-generated content (UGC), and customer reviews have become vital to the success of customer acquisition. Combining the retention of current customers with mechanisms that compel sharing, UGC, and reviews creates a dual effect. As a brand retains customers, those additional customers take more of the critical actions that accelerate further acquisition, either through sharing, content creation, or word-of-mouth (WOM). Retention is a self-nurturing virtuous cycle that creates a compounding effect over time: As more new customers are retained, more are acquired.

02 IMPROVES MONETIZATION

Retention decreases CAC and increases LTV

Three important things happen to monetization with improved retention. Retaining a more substantial proportion of a customer cohort increases revenue acquired from that cohort within a given period. Retention also increases the length of time that a customer cohort sticks with a brand, which increases repurchase rates, up-selling, and cross-selling opportunities. Finally, retention efforts that drive further acquisition reduce CAC and increase s LTV.

03 COMPETITIVE EDGE

Retention builds an acquisition competitive edge

As a brand increases retention, monetization, and LTV, it has more income available to reinvest in customer acquisition. In doing so, the brand can push competitors out of acquisition channels and open up new channels that were previously too expensive. This is key, especially since many paid acquisition channels are efficient marketplaces, and ad inventory goes to the highest bidder. With an increased LTV, the brand can afford a higher CAC. This means the brand will be able to outbid other brands for the same ad inventory, effectively pricing competitors out of a channel.

04 ACCELERATES PAYBACK

Retention accelerates payback period

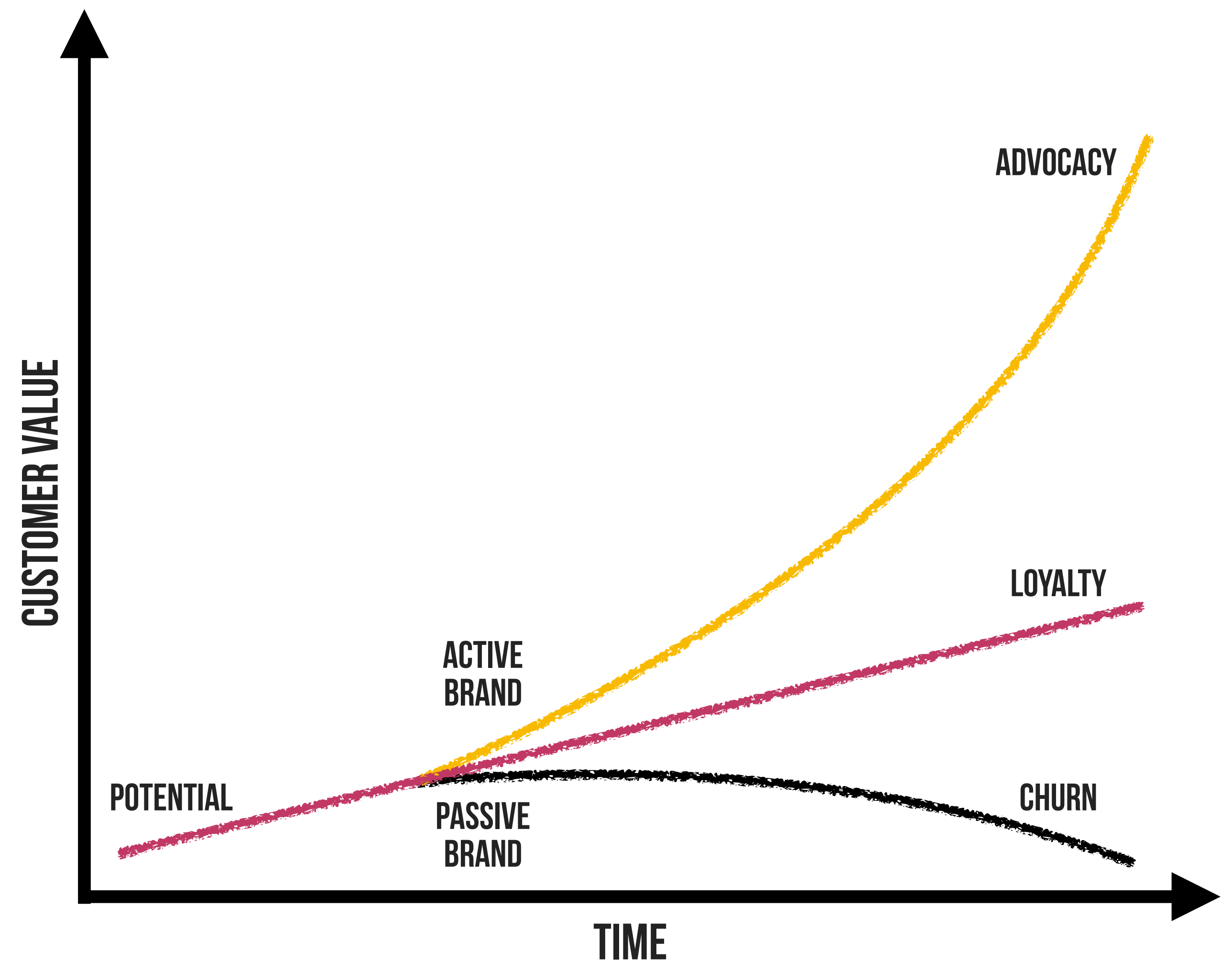
The payback period is the time it takes to break even on the cost of acquiring a customer. This is a limiting factor as the payback period determines how much cash is needed to fuel growth. It is particularly important when customers are acquired through performance marketing initiatives like KOLs. Because improving retention drives monetization - meaning a brand can make more money over a designated period - it also shortens the brand's payback period. With a shorter payback period, a brand will be able to reinvest the cash earned sooner in further acquisitions.

At the point of purchase, each customer has the potential to remain a loyal customer, become a brand advocate, or later churn by purchasing another brand's product. The risk of churn is not only limited to future purchases, as a churned customer can also include detractors that spread negative opinions.

Loyal customers typically make up the most significant portion of revenue for brands. In addition to repurchasing, the longer a customer is loyal to a brand, the more they will spend on average for each sequential purchase. In general, Chinese consumers are not very loyal, making tactics around immediate advocacy even more critical.

On a per-customer-basis, advocate customers are overwhelmingly more profitable than other customers. Advocates do more for a business than purchase products. They behave like a marketing channel for the brand, influencing others to buy and defending the brand against detractors. Though customer advocates are autonomous in that the brand can't dictate their activity, their advocacy is more authentic than that of KOLs - and more influential in substance.

Like customer acquisition, retention takes concerted effort and investment. Brands must take an active role in producing loyalty or advocacy through systems and mechanisms. Without an active role from the brand, customers are more likely to churn over time, especially with comparison driven product categories.





RETENTION

WHY IT WORKS

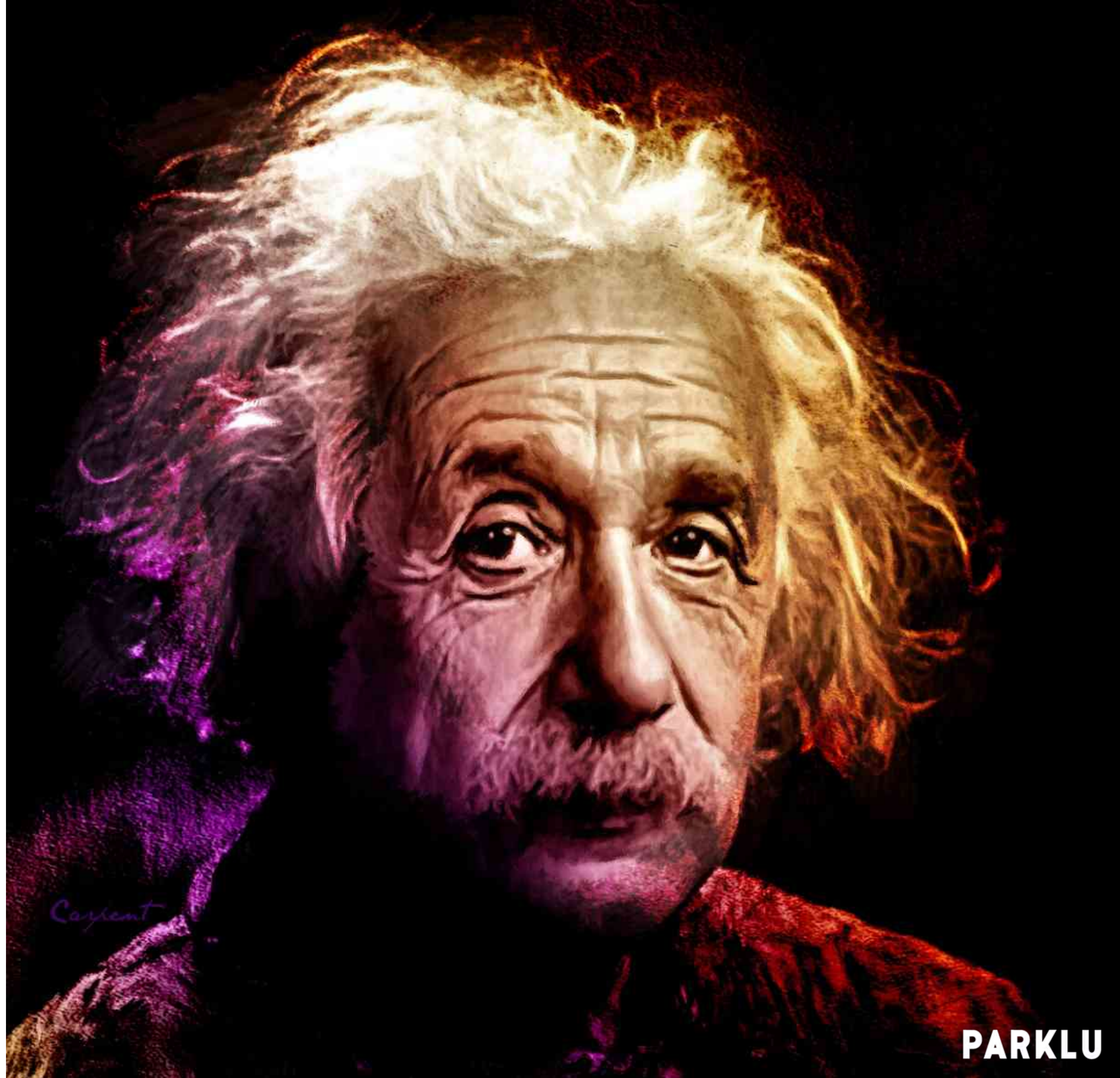
Abstract

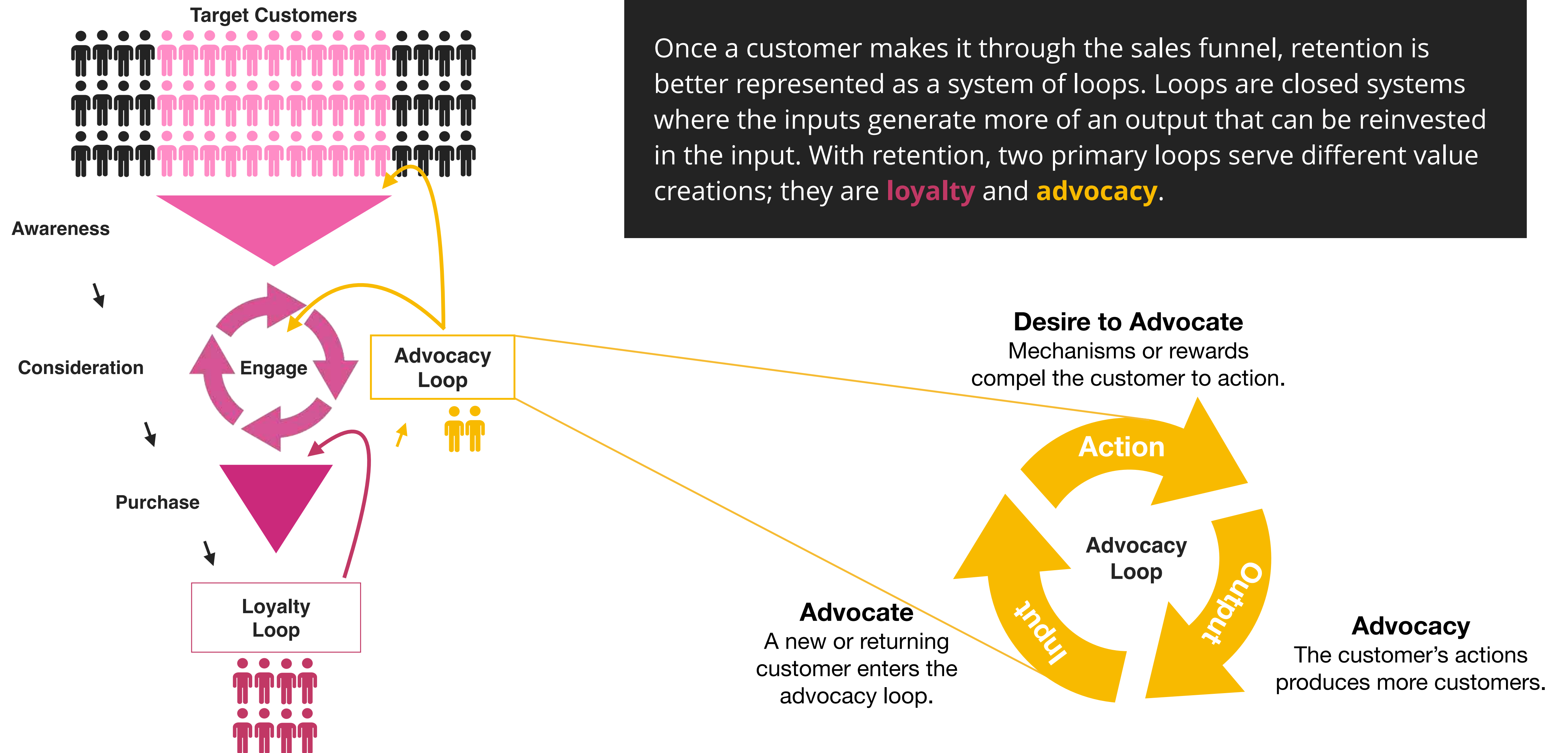
China's market dynamics and cultural norms make customers resistant to marketing that lacks nuanced expressions of value and deep consideration of relationship-based, high-context buying behavior. The buyer's journey is particularly long in China. Therefore, it's a waste not to amplify the value of each customer. Customer satisfaction demonstrated through loyalty and advocacy is a prize that every successful brand must strive after.

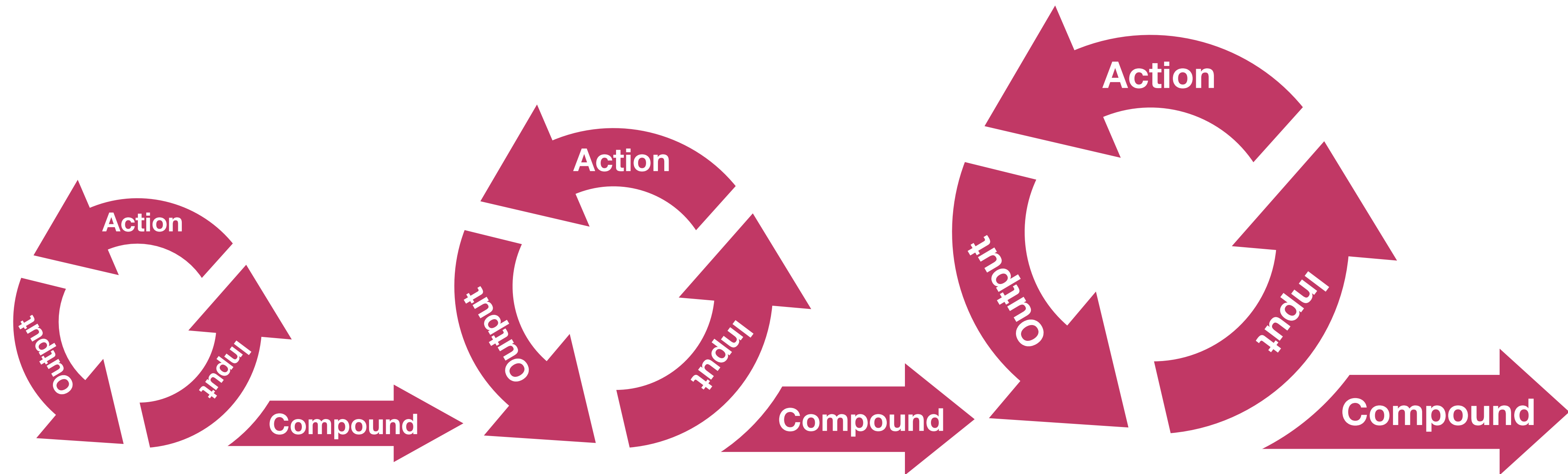
The Acquisition, Activation, Retention, Referral, and Revenue (AARRR) funnel framework is the dominant framework guiding conversations around metrics, goal setting, and strategic growth. The issue with the funnel is that it only operates in one direction, which is an inaccurate representation of the long-term brand-customer relationship. Everyone understands that the more put in at the top, the more comes out at the bottom. However, the funnel gives no guidance on how to reinvest what comes out at the bottom to continue to feed growth over time. The model itself provides no compounding effect. This means brands have to keep feeding more into the top of the funnel to get more at the bottom—more money, more people, more tactics, more channels. Not only is this wasteful, but it's also unsustainable.

Retention can compound the value of customer acquisition. Retention creates closed systems where the inputs generate more of an output that can be reinvested in the input. Retention creates value in multiple ways, including loyalty (increased LTV) and advocacy (decreased CAC). Retention needs models to help communicate, prioritize, make strategic bets, set goals, and drive a metrics roadmap.

**"COMPOUND
INTEREST IS
MAN'S
GREATEST
INVENTION."
- EINSTEIN**







Retention is Simultaneous, Iterative, Incremental and Compounds Over Time

Retention loops combine how product, channel, and monetization models work together in a single system, forcing brands to answer, “How do current customers compound in value over time?” Brands should stop thinking about the never-ending cycles of more tactics, more channels, more of everything to keep filling the top of the funnel, and start thinking about how the customers produced can be reinvested. When the focus is on how to reinvest the output of one cycle of the loop into the next cycle of the loop to get more output, it creates a compounding effect that maximizes the value of each customer.



COMMUNITY

THE SOUL OF RETENTION

Abstract

Today's consumers are more knowledgeable and discriminating than those of the past—and constantly connected to the Internet. With online access to detailed product information, price comparisons, user reviews, and the recommendations of “friends” on social media sites, they can cut through marketing hyperbole and make informed buying decisions. And if they're not happy with their purchases or experiences, they can spread their negative opinions quickly and broadly online, creating PR nightmares that some businesses never fully recover from. But if your customers are passionate about your company's products and services, they can spread the love just as easily.

- BCG: Retail 2020 Competing in a Challenging Industry

Commonly, the goal of every brand-initiated interaction with customers is to sell something. However, this behavior runs contrary to social norms and inhibits the formation of deeper customer relationships. Community building aims to establish or increase trust, affinity, and reciprocity, which ultimately greases the wheels of all other retention initiatives.

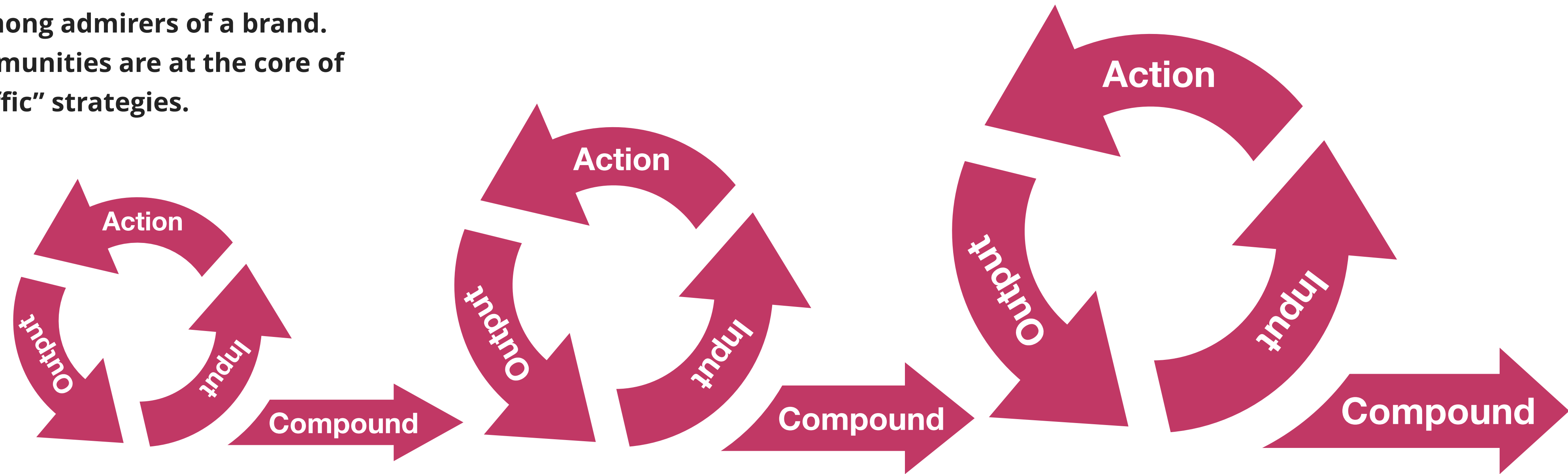
In many cases, product differentiation between competitors is slight, making brands' behavior stand out all the more. The challenge is designing customer touchpoints that allow a brand's humanity to manifest. When brands behave more like humans, in a more nuanced way, with appropriate intent, demonstrating mutual benefit, relevance, appropriate timing, and emotion, they develop stronger bonds with consumers. To succeed, brands must play a more active role in a variety of aspects of consumers' lives.

The best brands in China are building customer communities in private traffic channels to deliver non-commercial value. These communities are built on pillars of communication and empathy. They allow brands to provide value beyond core products and services. The advantages these communities present are vast and significantly impact brands' relevance, affinity, and insights into customer needs.

**"HE CAN'T BE A MAN
BECAUSE HE DOESN'T
SMOKE,
THE SAME
CIGARETTES AS ME..."
- THE ROLLING STONES**



Definition: A specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand.
*Brand communities are at the core of “private traffic” strategies.



Input: New community member and or engagement from existing community member.

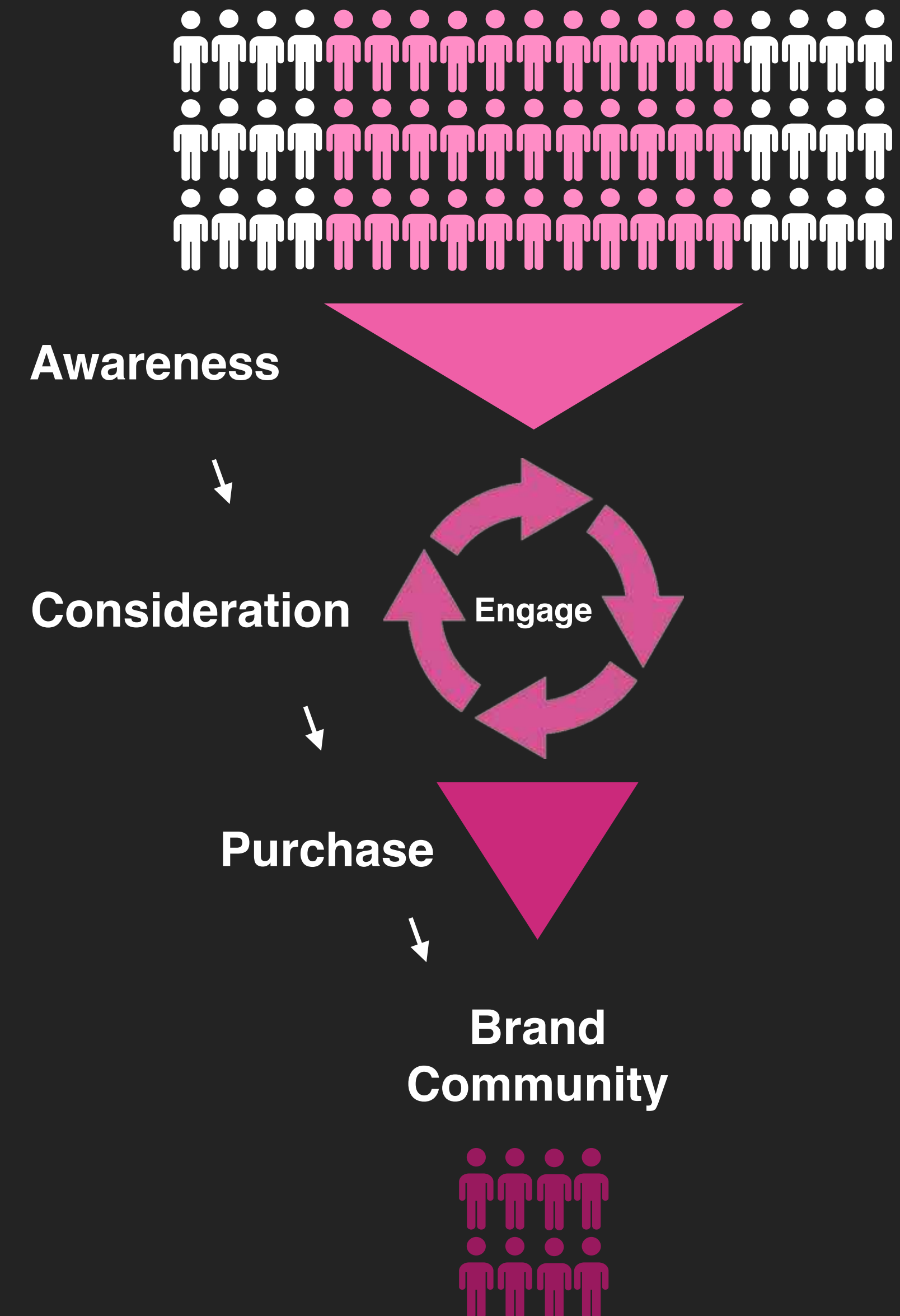
Action: Members are compelled by the brand and other other members to take specific actions that will benefit the community.

Output: Members' actions benefit the community and or attracts new members.

FUNDAMENTALS

Culture: A community's culture should provide a tightly knit social framework in which individuals are protective of one another, and the brand safeguards members' interests. Brands must identify the group member's needs and objectives, then take action by developing cooperative and collaborative attitudes and practices within the community. Members must have a means of participation, something to do that makes them connected. The purpose of a brand community is to make specific improvements to its members' lives.

Identity: Community members can be anyone that regularly engages with brand-directed initiatives. Community members are not selected or forced; they are enticed, nurtured, rewarded, and ultimately, self-selecting.



CREATING COMMUNITY CULTURE



PURPOSE

The Purpose of a community is the fundamental reason why the community exists. Answer the question: “Why are the things this community does important?” Members should find the community’s purpose inspirational and motivational.

PHILOSOPHY

The community’s Philosophy is its distinctive and enduring principles and values—these direct how the community functions. Members should be able to consistently use these core attributes to guide their interactions, decisions, and actions.

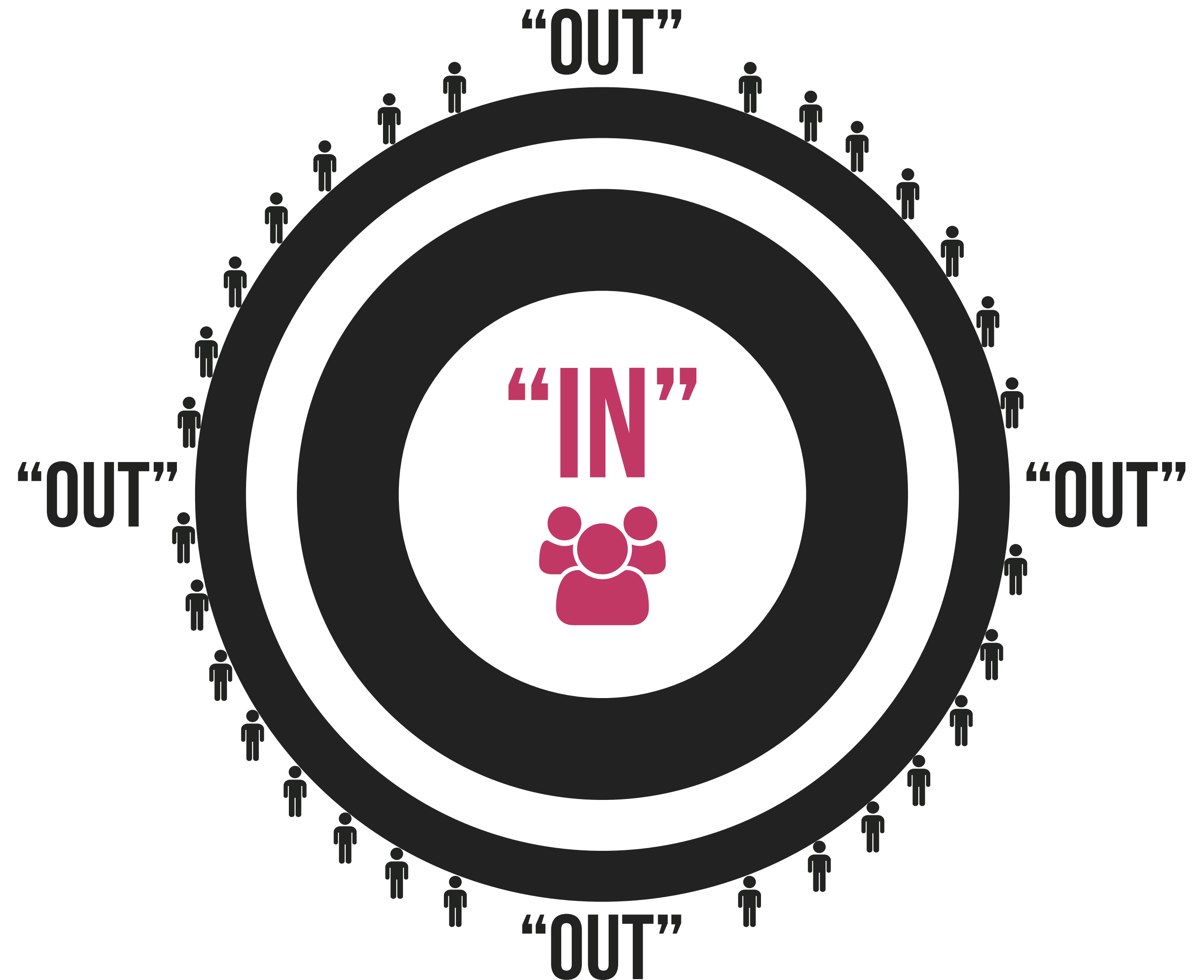
PRIORITIES

Priorities are things the community must focus on and pay attention to now. The current environment and the anticipated near future are the factors that influence these things. Priorities enable the community to achieve short-term goals.

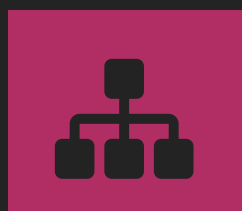
“Who” should be in the community?

Membership should have levels of exclusivity, rewards, and ranking to create "In" and "Out" identifiers. The more exclusive a community is, the more its perceived value will be to members and wannabe members. Exclusivity will create a stronger sense of a shared culture among members. Exclusive is an internal measure. It's us vs. them, insiders vs. outsiders.

Membership on the video platform Bilibili is a prime example of "In" and "Out" group formation. To become a member, applicants must take a rigorous questionnaire. The test is so difficult that there are vendors on Taobao who can be paid to take the test on behalf of the user. Members are then given badges, tokens, and varying levels of access that convey ranking based on community participation. Bilibili's rigorous membership application and hierarchy have produced one of the most engaged user communities on any platform in China.



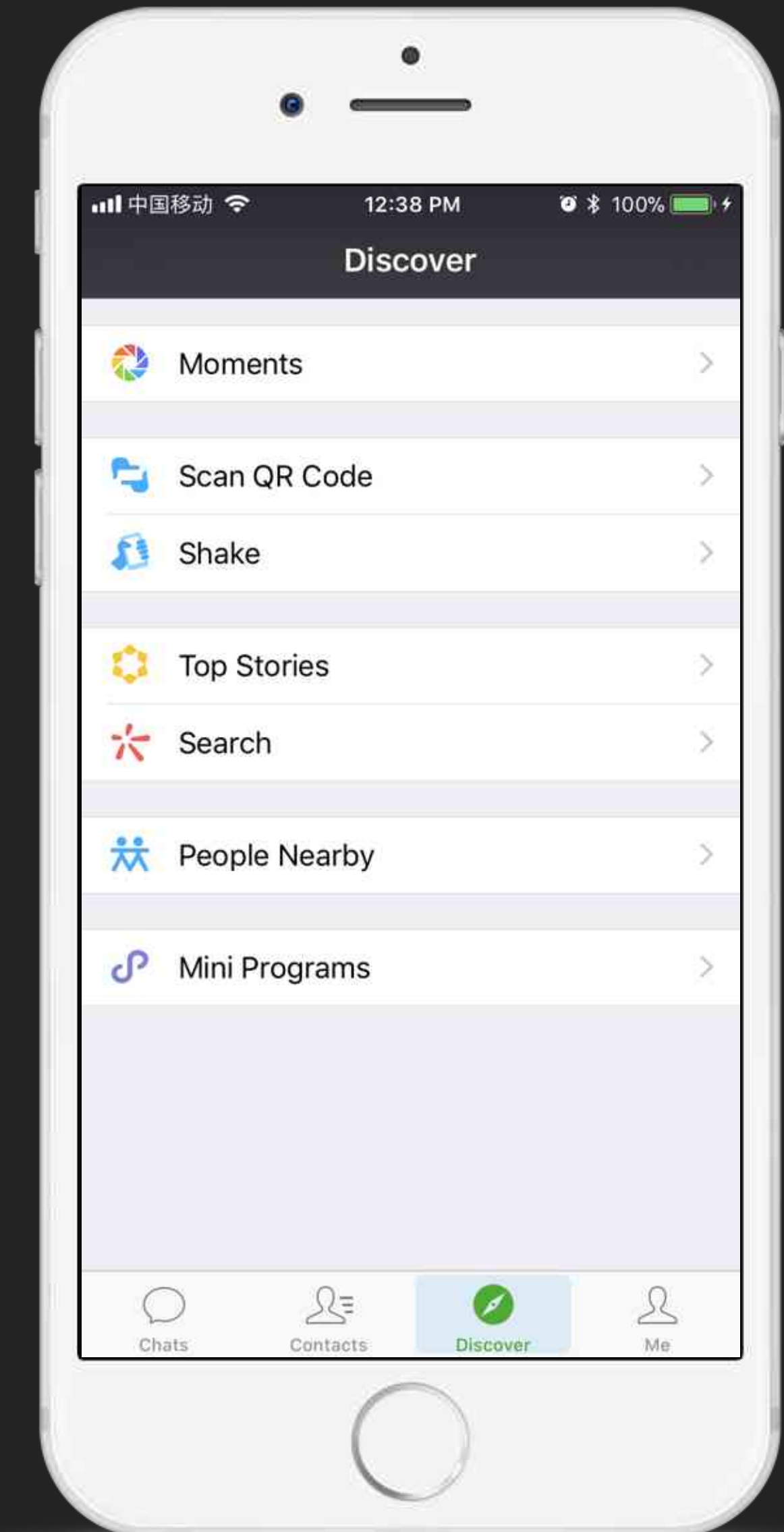
Brands typically use WeChat Service Accounts as the central hub for aggregating customers. This account will function as a social CRM, communication channel, and often integrates with native e-commerce capabilities. However, domestic brands are building private traffic communities with WeChat Personal Accounts. Personal accounts give brands uninhibited communication with members via private messages, Moment posts, and WeChat groups.



A WeChat Service Account is used to track customer touchpoints, in-app interactions, build detailed customer profiles, distribute segmented communication, launch/manage various campaigns, sell, and integrate with a 3rd party sCRM.



WeChat Personal Accounts provide brands with an open and granular communication channel. Following a brand's WeChat Personal Account is commonly considered the base threshold to becoming a community member and is bona fide private traffic.



KOLs pioneered this strategy as they have been aggregating their Super Fans into private channel communities long before brands.

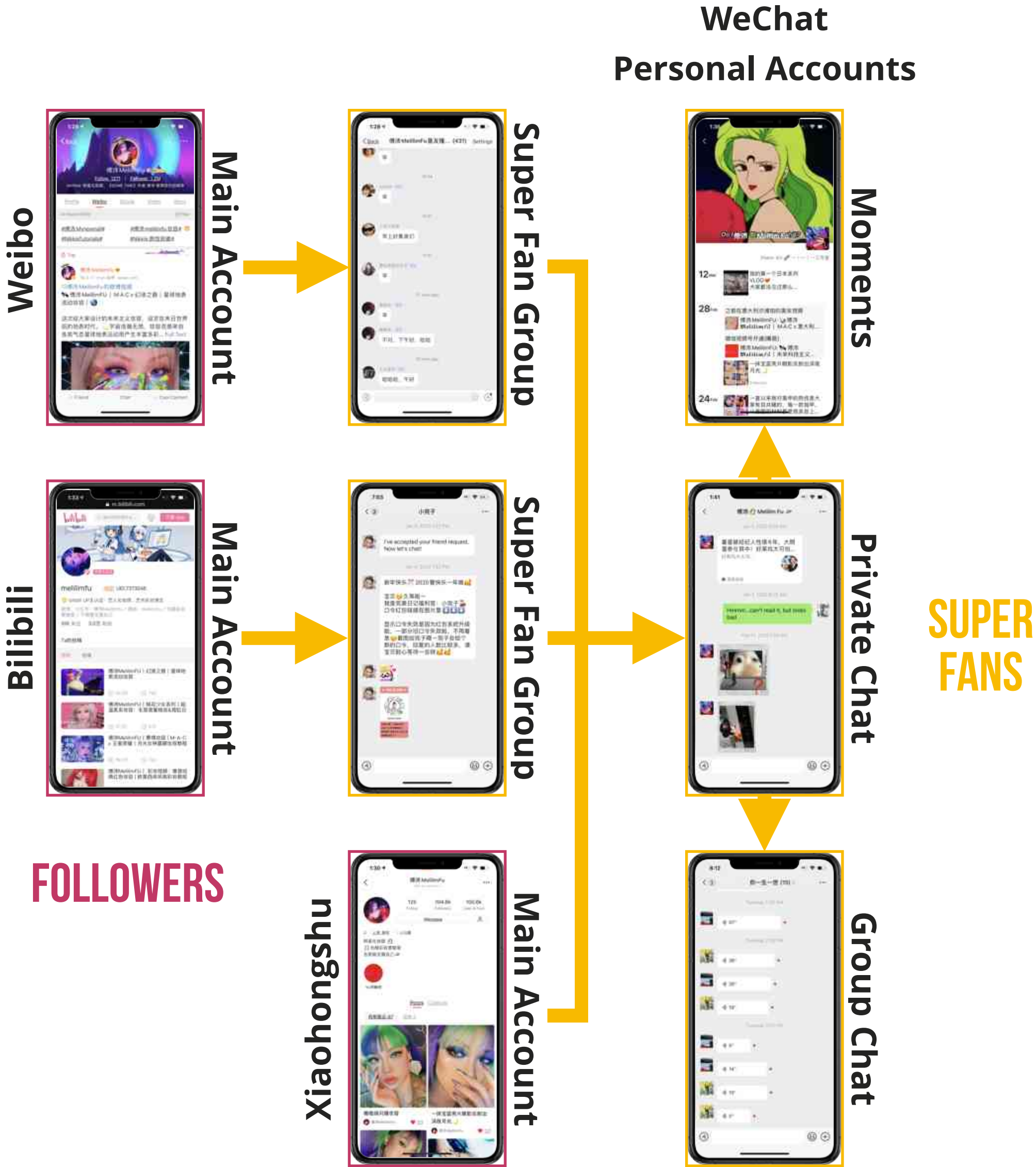
Super Fan communication channels & benefits

- Private chat messages
- Moments posts
- Chat groups

Super Fan flow and operations

KOLs will typically add their personal WeChat ID to the profile sections of their public platforms. This is a straightforward and practical tactic that has been applied by hundreds of KOLs. Note that KOLs are not typically utilizing a CRM for follower management.

Super Fans function as a marketing and consumer force for KOLs. KOLs will share new posts in groups on Bilibili, Weibo, and WeChat to encourage Super Fans to like, repost, and buy. They will regularly spend time in the groups answering questions, stimulating conversation, and developing relationships. KOLs will often share exclusive, ‘behind-the-scenes’ content with Super Fans. Brands should consider working with KOLs to run exclusive promotions or campaigns just for Super Fans.



This strategy aggregates brand customers into WeChat Personal Account followers, forming a massive web of private traffic communities.

Community member communication channels & benefits

- Private chat messages
- Moments posts
- Chat groups
- Mini program

Community member flow and operations tech

Perfect Diary's community flow is an example of a typical architecture for community building. Perfect Diary compels customers through its WeChat service account to add the brand's virtual KOL's (Xiao Wanzi) personal WeChat account. Once a follower of Xiao Wanzi, community members can be engaged via private messages, Moments posts, and invited to WeChat group chats. Perfect Diary is now leveraging Xiao Wanzi's influence to launch a whole new sub-brand with its unique line of products. It is rumored that Perfect Diary has more than one million community members in private traffic. This strategy is especially compelling with the knowledge that the brand was founded in 2015 and is now the No. 1 selling beauty brand in China.

WeChat Service Account



WeChat CRM

FOLLOWERS OR CUSTOMERS

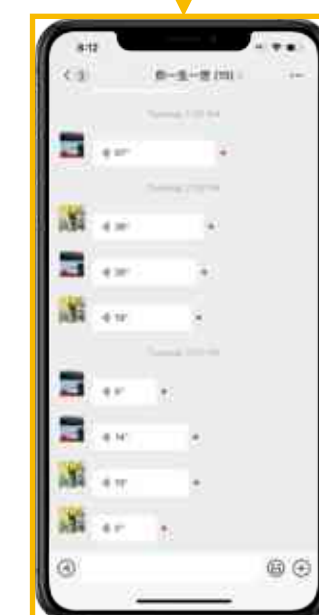
WeChat Personal Accounts



Moments



Private Chat



Group Chat

COMMUNITY MEMBERS

Nike takes the path of least resistance by supporting existing communities and ignoring direct sales ROI as a success metric.

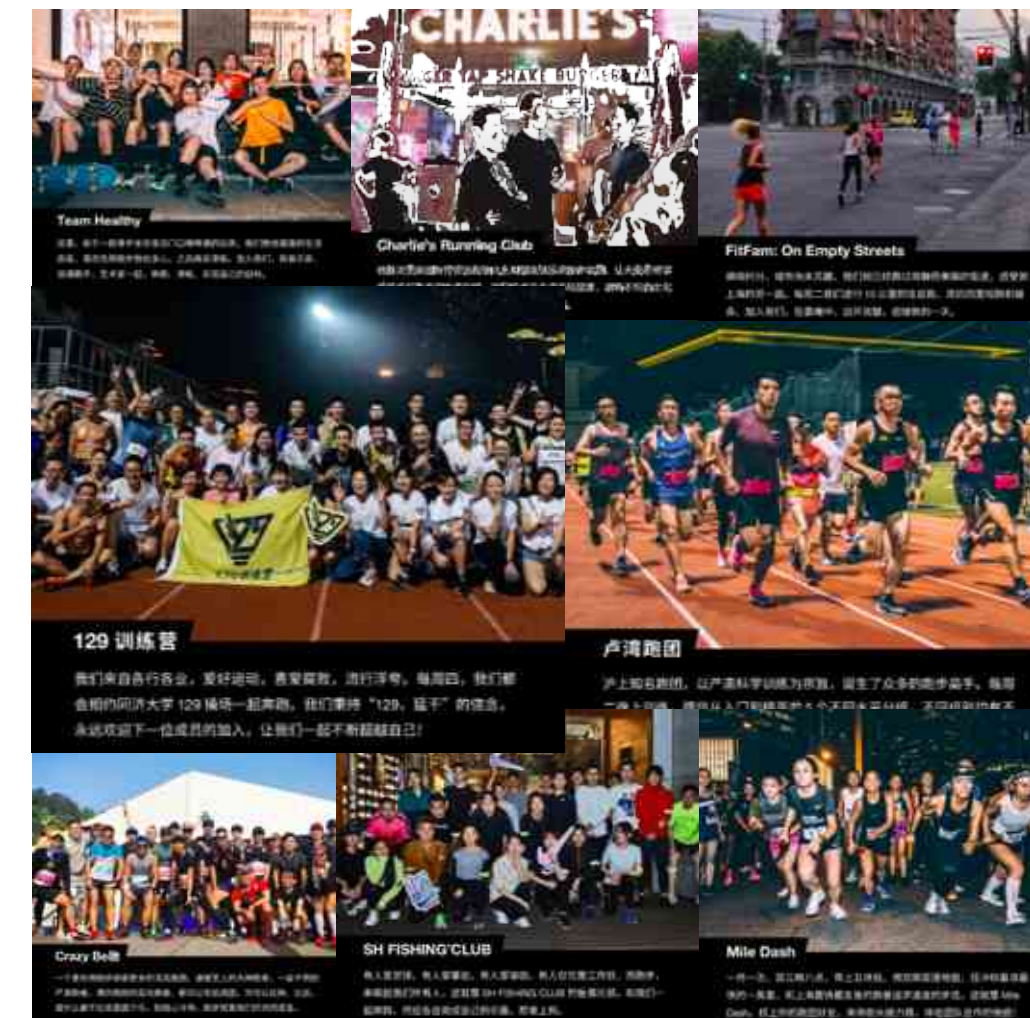
Purpose: A community where runners can connect, share stories, and create new experiences.

Community member flow and operations

In 2015, Nike committed to aiding in the development of China's running culture. Nike's community-building initiatives have gone through several iterations since then. In January 2020, Nike broadened its scope and decided to support existing running clubs with the launch of a physical location in Shanghai called Run Hai Lane. Run Hai Lane is meant to serve as a meeting place for Shanghai's running clubs. The space is free to use, and Nike offers free services like photographers, professional courses, contests, customized T-shirts/badges, and opportunities to try new products.

Nike's team starts by connecting with the organizers of running clubs around Shanghai. Of course, each running club has its own WeChat group, and it's not Nike's intention to hijack organizers' groups. But, Nike will connect club organizers with its own private WeChat groups. When running club members join Run Hai Lane events, Nike's team will invite them into Nike Run Hai Lane WeChat groups to share event information and photos.

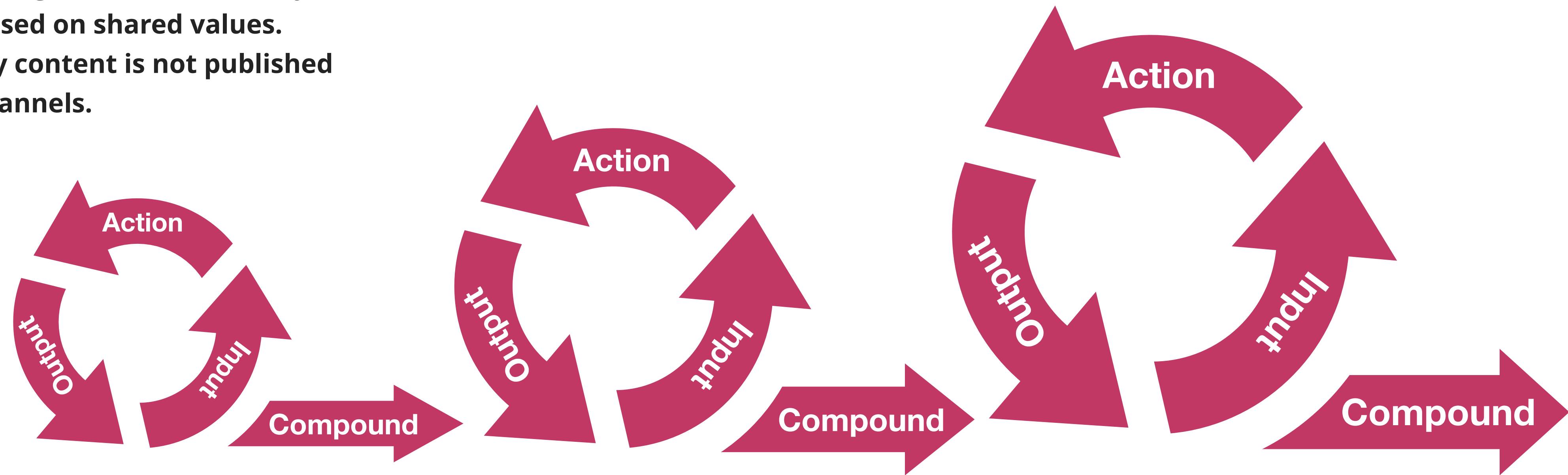
跑百巷
RUN HAI LANE



Definition: This content is a gift from brands to community members.

Content is designed to build affinity and trust based on shared values.

*Community content is not published on public channels.

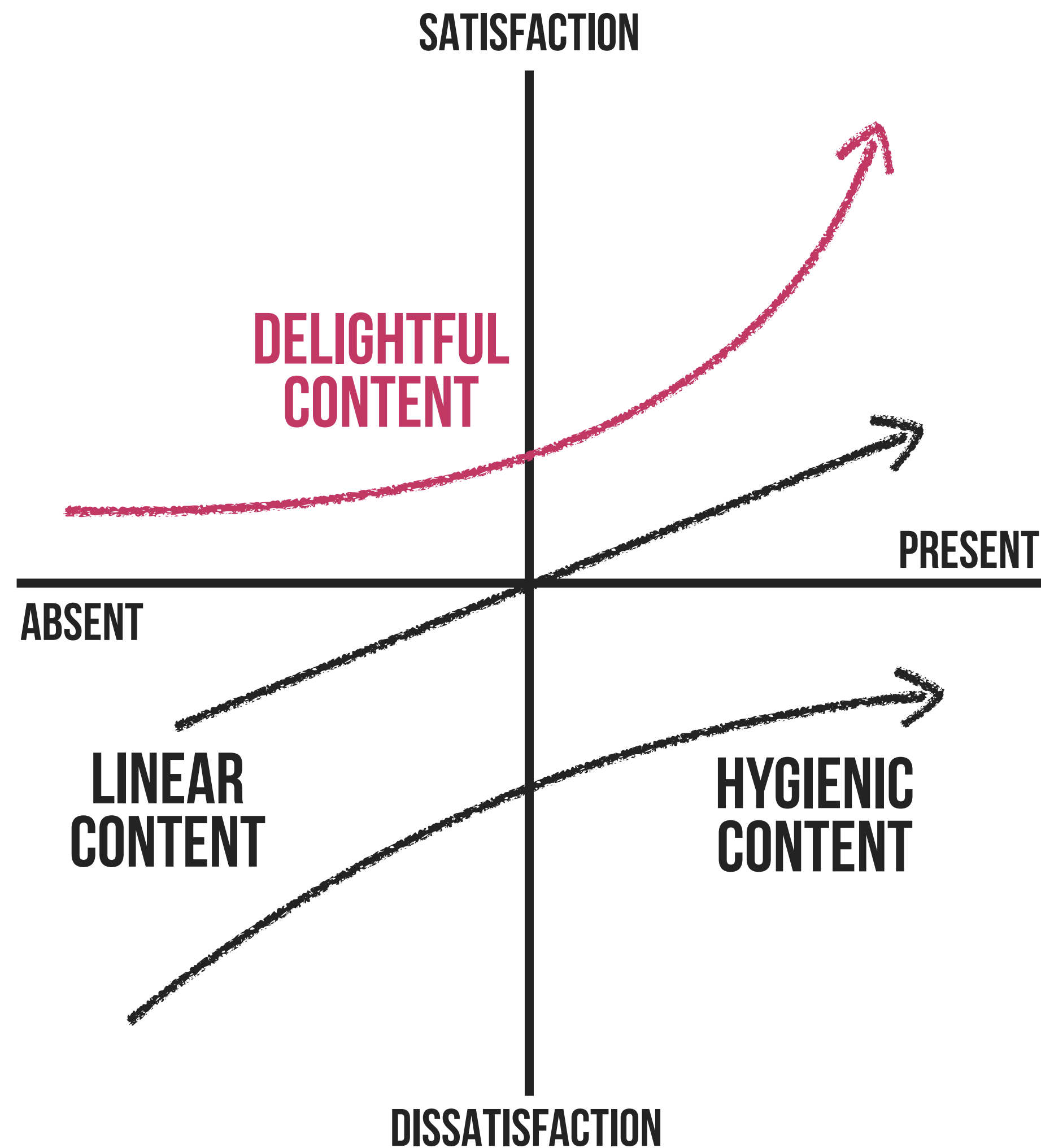


Input: Members consume content produced by the brand community.

Action: The brand facilitates the creation of content which is exclusive and specifically designed to benefit community members.

Output: Members create content that benefits other members of the community.

CONTENT PHILOSOPHY



SURPASS EXPECTATIONS

- Value First
- Start Conversations
- Build Social Capital

SATISFY EXPECTATIONS

- Interesting
- Visually Stimulating
- Worth Sharing

BASIC EXPECTATIONS

- Brand Information
- Product Information
- Social Presence

Value First: In the vast majority of cases, providing value first does not mean talking about the brand or its products. Think of content as a gift. To be successful, content must contain the value community members desire to receive.

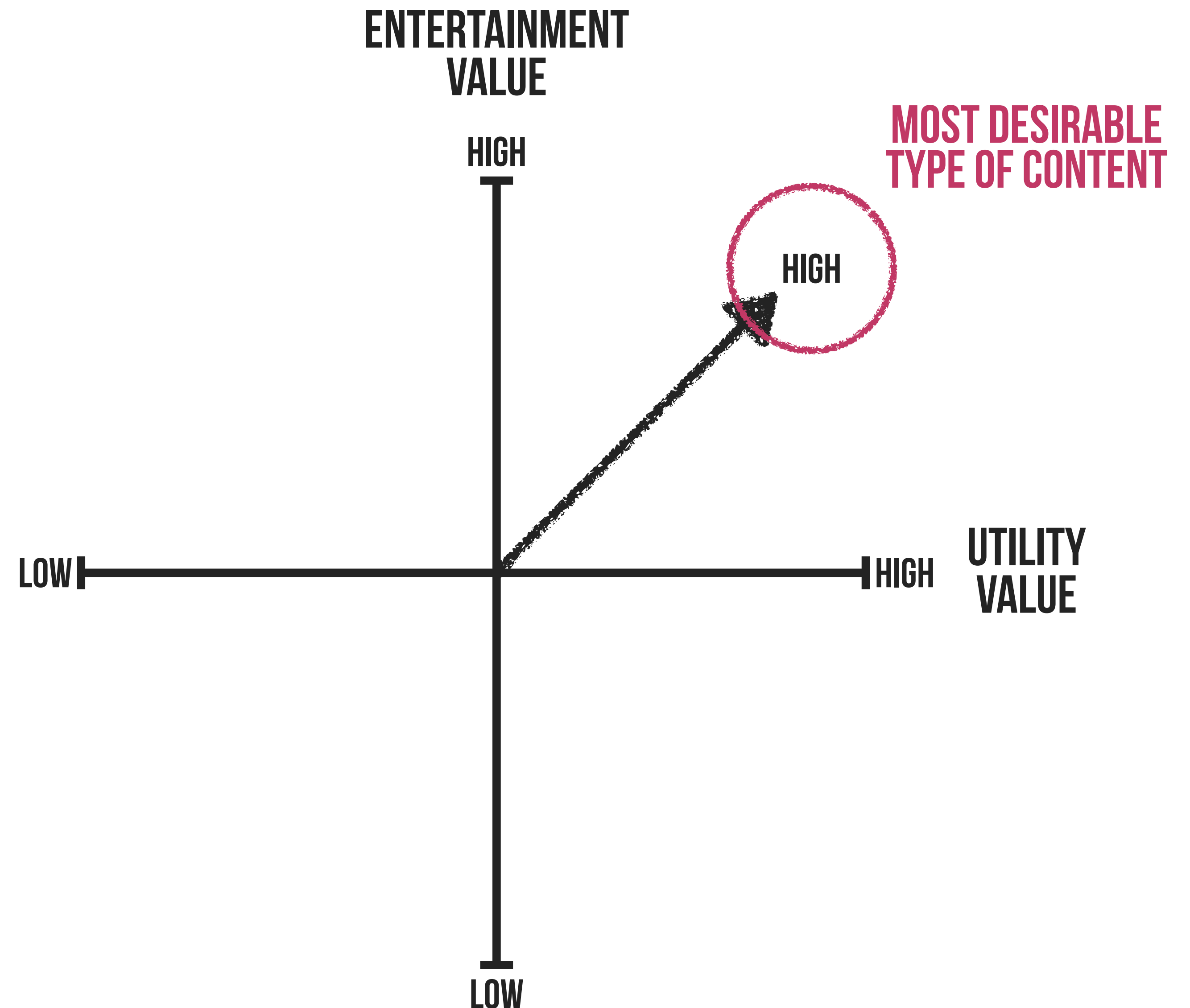
Start Conversations: Create opportunities for group conversation. Craft content in a manner that compels community members to interact, ask questions, or contribute with their own knowledge and wit.

Build Social Capital: Design content in a way that when an individual shares it, it raises their social status among peers. You can do this by creating content that, when shared, makes the sharer look smart, funny, or interesting.

CONTENT PHILOSOPHY

High-utility content is actionable and helpful. Typical forms of utility content are tutorials, apps, or news. High-entertainment content is fun, easy to consume, and a distraction. Entertaining content is the most shared form of content. Creating genuinely entertaining content is difficult, but most utility content is boring. Content that strikes a balance between utility and entertainment hits a sweet spot, providing the best of both worlds.

Content that is further enriched by interaction can boost both entertainment and utility of content. Think forums, live-streaming, or bullet comments on Bilibili where user interaction is part-and-parcel of the value of the original content and increases with each interaction.



CONTENT PYRAMID

PILLAR CONTENT

MICROCONTENT

DISTRIBUTE

Pillar Content: Deep-dive exhaustive content is the foundation of all content. This pillar content, once engaged with, should compel the creation of UGC content from the community. The original content and UGC can later be sliced into forms of content.

Microcontent: Smaller forms of content will use the pillar content and UGC content as the primary source material. Coordinate between all content released in any given period. Microcontent can give a brand the scale needed to deliver high-value content consistently.

Distribute: Create constant and consistent messaging for the brand community. Good or bad, each piece of content distributed by the brand sets a level of expectation by community members. The goal is to deliver the highest value possible every time.

This strategy goes beyond customer service by moving customers into a community-driven concierge environment in-app and on WeChat.

Community member communication channels

- In-app Ctrip VTM
- WeChat groups

Community content flow and operations tech

Ctrip has a free virtual-tour-manager (VTM) service for its customer communities. Customers can access the VTM in Ctrip's app and special WeChat groups. Customers get invited to WeChat groups with other customers traveling to the same destination around the same time. Ctrip agents manage these groups, providing real-time VTM service.

Ctrip's WeChat travel groups act as a kind of crowd-sourced concierge service as the travelers help each other with travel advice and assistance. Requests in the VTM groups range from arranging airport pickup, tour suggestions, making restaurant reservations, and translation assistance. Not only can travelers connect and share with each other, but Ctrip can up-sell in a way that feels noncommercial. Fourteen million travelers used Ctrip's VTM in 2018.

Ctrip Platform



WeChat Group



Customer CRM

CUSTOMERS &
COMMUNITY
MEMBERS

WeChat Personal CRM

COMMUNITY
MEMBERS

Nike is mastering the art of global community building by putting brand facilitated content at the forefront of their strategy.

Community content communication channels

- Offline events
- Nike apps
- Social media platforms

Community content flow and operations

Since 2012, when Nike first sponsored the Shanghai Marathon, it has been inviting professional runners from around the world to share their stories. Before the 2019 Shanghai Marathon, Nike asked eight international running clubs to share stories, run, and party with local running club members.

During the coronavirus lockdown, Nike provided free training classes, dietary guides, and meditation advice in its WeChat Mini Program and Apps. Nike also hosted public and private WeChat and Douyin livestreamed training sessions with professional coaches.



01 BE CONVERSATIONAL

There is relationship-building arbitrage in the comments

Community building starts with being proactive. Every day, there are a limitless number of unanswered questions asked on social media that brands can answer. The most natural place to start is by identifying unanswered questions in trending posts or in those posts that mention the brand or competitor brands. A simple search on social will reveal a plethora of opportunities to begin communicating with customers and non-customers alike. Do not over-complicate this process. Communicate with others like a friend. These conversations will naturally shift more and more to private and group chats as you foster those bonds.

02 PROVIDE VALUE

Providing value is about satisfying another person's needs

Positively impacting one person will far outweigh forgettable communication with 1,000. Real value creation is not about quantity; it's about quality. Go as deep as necessary, with every opportunity to be helpful. The benefit provided should not be limited to brand products because the range of human interests are unlimited. To scale the service, a brand can provide, start with identifying what each community member has to contribute. Be a connector by offering a variety of member roles, segmented groups, and in-depth content on niche topics. As members' needs are understood, create a web of interconnecting value among all members.

03 RESPECT TIME

Time is our most precious resource

Relationships blossom from time spent together, but few people will waste their time. Don't engage for engagement's sake. If every experience members have with the community is overwhelmingly special, then the downtime between interactions will only make the heart grow fonder.

A community is creating a sub-culture. Each interaction either sets or reinforces that culture. Consistency develops habits; habits modify behavior; behavior is central to culture norms. So, spend time together, having shared experiences, and initiate exchanges that bring a community to life.

04 EMBRACE INTIMACY

Embrace intimacy

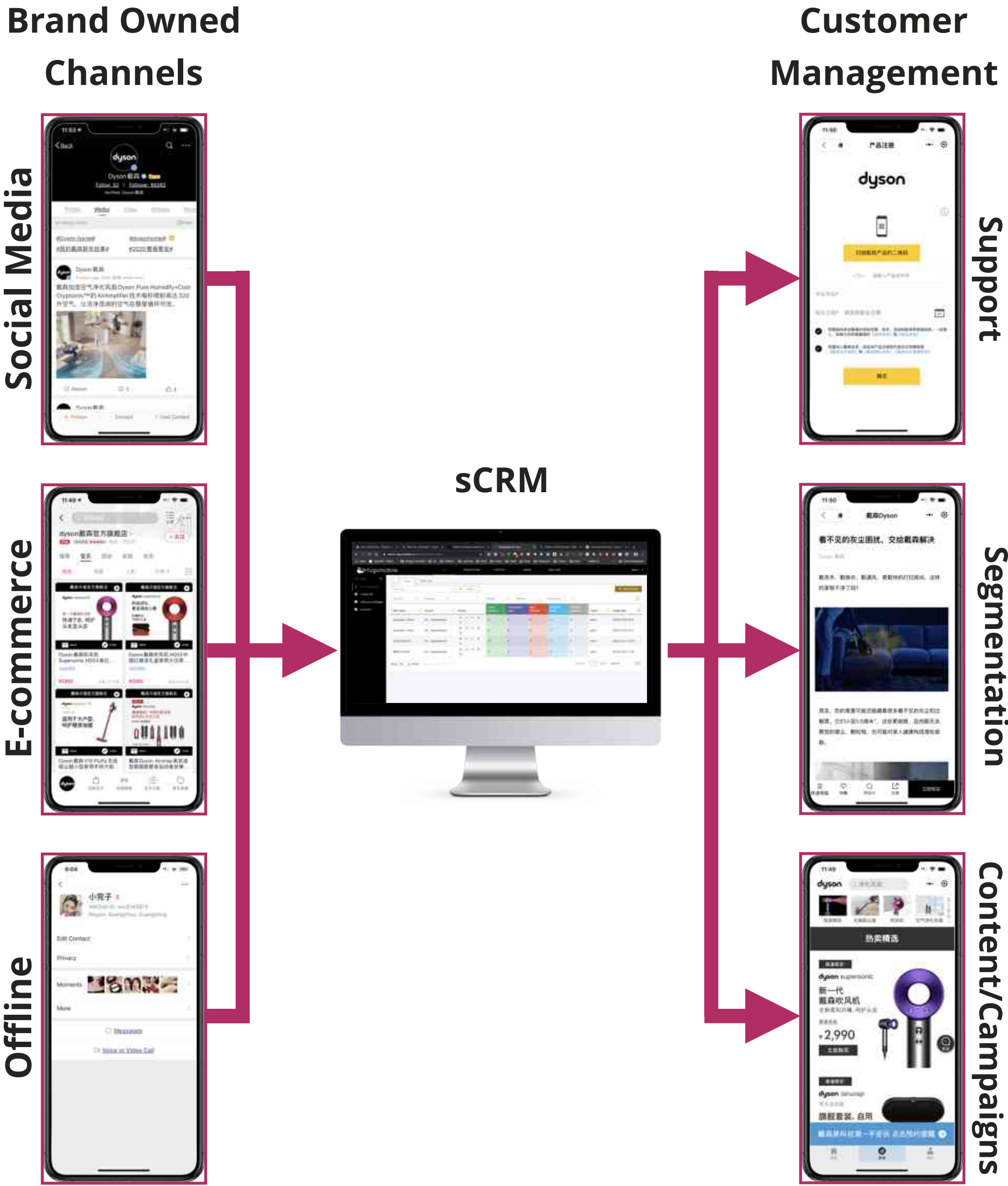
Communities do not have to be limited by Dunbar's number. Take the time to document more than the basics about each community member and consolidate this data in a CRM that also tracks purchase behavior. Start by implementing a survey system that, once completed, grants special community privileges.

This information should be used to elevate personalized communication. It will be the human touches, like sending a happy birthday message that stands out. Making it a priority to show community members they are valued will transform the experience into something truly extraordinary.

► **This strategy goes beyond customer service by moving customers into a community-driven concierge environment in a WeChat Group.**

Social CRMs:

Some real innovations are being made in the Social CRM (sCRM) world. Many sCRMs are now giving brands the ability to track purchase behavior and brand engagement across social and offline. The ability to track, tag, and segment followers and then customize communication at scale, is impressive. There is also an increased focus on new tech-driven retention campaign strategies that include fan-get-fan, multi-level marketing (MLM), and group buying capabilities. Many sCRMs today turn WeChat into a super-charged customer service, e-commerce, loyalty, and affiliate management tool.



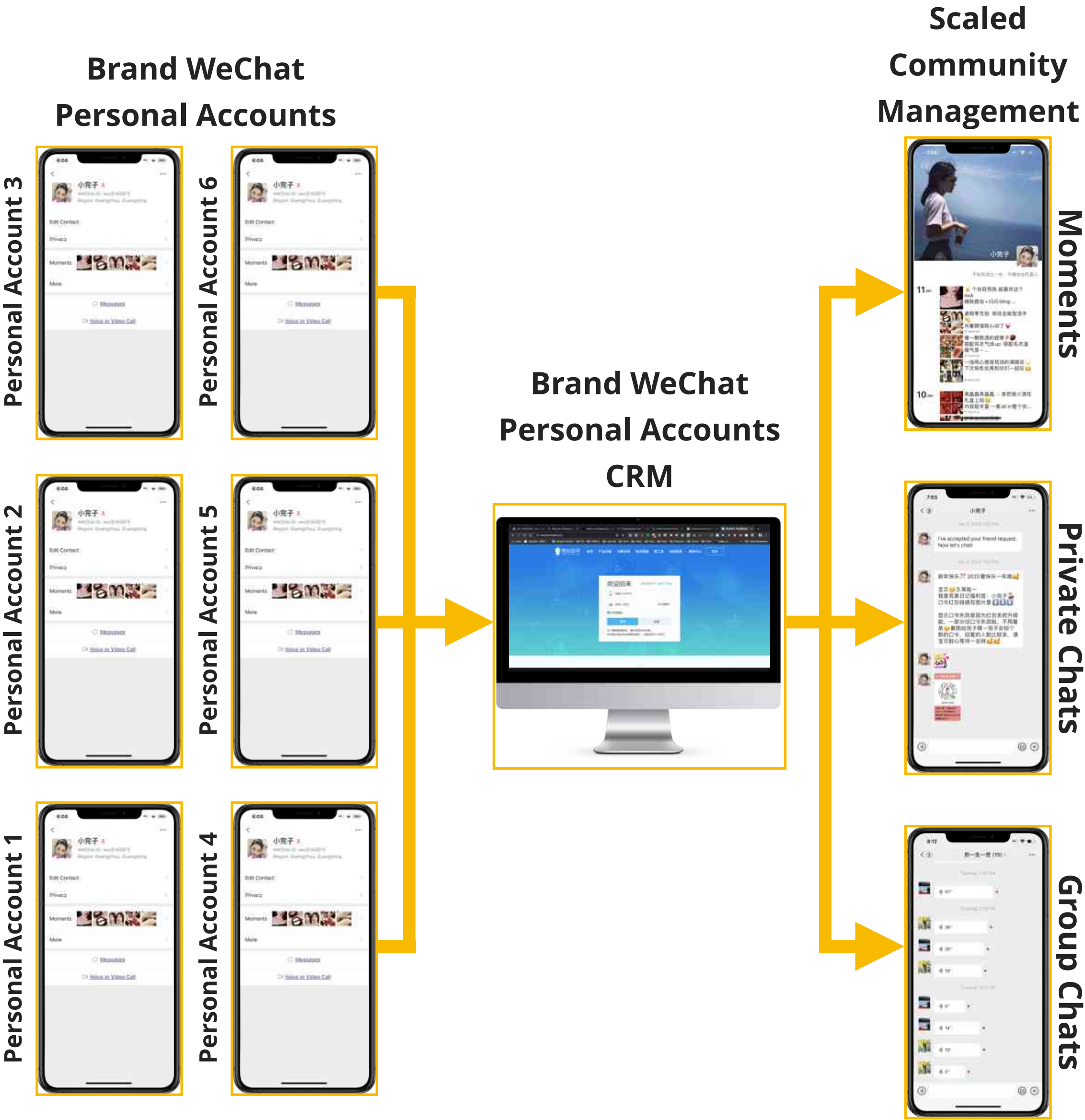
▶ **WeChat Personal Account CRMs are enabling brands to scale community management like a black-hat bot farm.**

WeChat Personal Account CRMs:

Personal WeChat account management systems have gone from black-hat marketing tools used by bot farms, to proper SAAS platforms used by some of China’s biggest brands. With these platforms, brands can manage multiple brand-controlled personal WeChat accounts at scale, giving them zero barriers to direct communication with the contacts that follow these accounts. The CRMs enable Moments posting, multi-group management, messenger bots, varying campaign mechanisms, follower segmentation, tagging, and tracking. The vast majority of sCRM platforms in China cannot manage private WeChat accounts.

*For Windows users try - weiyouzhushou.cn

*For Apple users try - wxb.com/wetool



The background is a vibrant, abstract composition. It features a central area with a complex, organic pattern in shades of pink, magenta, and blue, resembling a microscopic view of cells or a stylized map. This central area is surrounded by broad, sweeping strokes of deep blue and bright yellow, creating a sense of movement and depth. The overall effect is a rich, textured visual field.

LOYALTY

COMPOUNDING RETENTION

Abstract

“Consumers are actively on the lookout for new brands as the gamble of buying a new product is de-risked by levers like rising income levels. With the overwhelming majority of consumers actively or passively open to unfaithful actions, the risks for brand owners have never been greater. This information alone tells us that “conventional” product innovation is no longer about being first to market, delivering the next best attribute or even greater value, but extends to identifying a brand’s larger purpose, for connecting with more discerning and fickle consumers.” - Nielsen

There has been a tectonic power shift given to consumers—the power to inform and be informed. This power shift is most evident in the way customers now make purchasing decisions.

Chinese brands’ loyalty strategies are generally more innovative and culturally sensitive when compared to their Western cross-border counterparts. Instead of designing triggers to maximize penetration and adoption of loyalty programs, many Chinese brands are using the data they generate to better serve core, high-value customers, in order to recruit more of them. Instead of aiming promotions at general consumer segments, which can encourage cherry-picking, Chinese brands are using promotions to increase the spending and loyalty of higher-value customers.

The goal for loyalty data is to provide consumers with a better shopping experiences, which will ultimately attract more consumers.

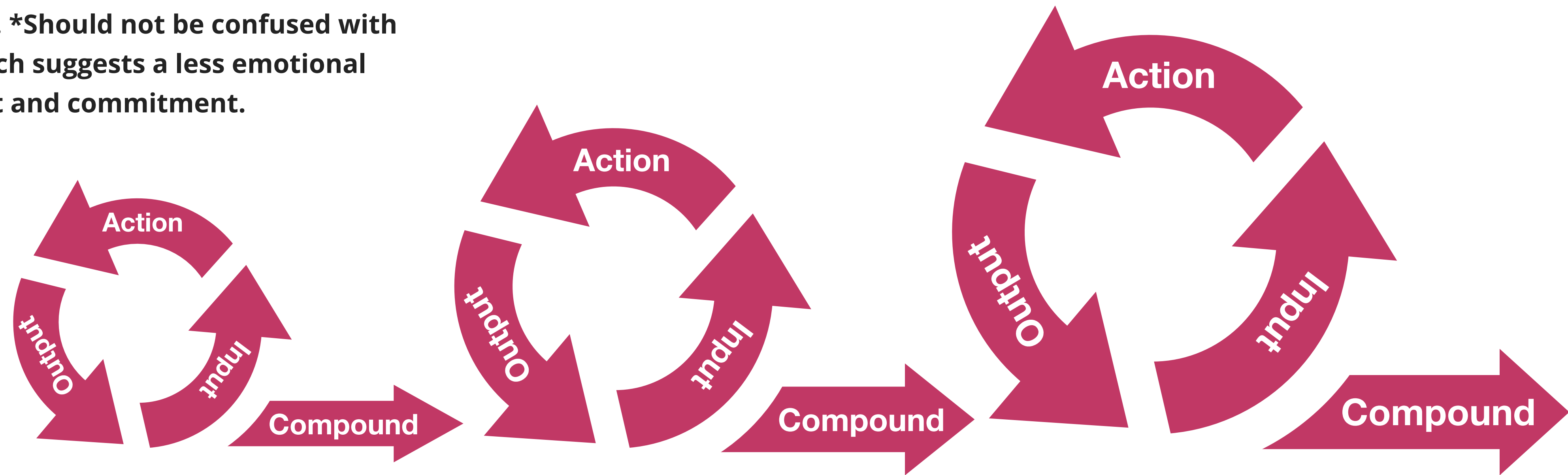
“86% of Chinese respondents agree that all other factors equal, they will buy from a retailer with a loyalty program over one without” - Nielsen

**"IT'S MORE THAN JUST A
COMPANY. IT'S MORE THAN
JUST A PRODUCT. THERE'S A
CAUSE THERE AND AN ISSUE
THAT REALLY MATTERS.
THAT'S WHY PEOPLE FEEL
VERY STRONGLY."**

- ELON MUSK



Definition: Positive feelings and dedication to purchase the same product or service repeatedly now and in the future from the same brand. *Should not be confused with “habit,” which suggests a less emotional engagement and commitment.



Input: A customer purchases a product.

Action: Satisfaction, reward mechanisms, post-purchase rationalization, social reinforcement, and/or other emotional/psychological reinforcements motivate the customer repurchase.

Output: Each successive purchase should further reinforces the desire to purchase in the future.

Though it might seem counter-intuitive, some of the best loyalty programs do not center around rewards for re-purchase. Loyalty purely based on transactions, commoditizes the brand-customer relationship. Brands that extend value beyond core revenue-generating initiatives have the best chance to emotionally resonate with customers and create the top-of-mind stickiness that makes a repeat purchase a given. Layering in tech to track usage, engagement, and relationships give brands invaluable insights into core customers' behavior. If we look at loyalty as a process of reciprocity, then a customer's purchase should trigger a give from the brand.

1**Points**

Purchase, referrals, participation, etc.

2**Gifts**

Registration, birthdays, anniversaries, etc.

3**Services**

Delivery, consultations, installations, etc.

4**Samples**

Purchase, new product launch, user testing, etc.

5**Contests**

Lucky Draws, referrals, UGC, etc.

6**Content**

Livestreams, consultations, tools, etc.

7**Recognition**

Social shout-outs, personalized communication, gifts, etc.

8**Access**

Pre-order, customizations, events etc.

A significant portion of what will motivate loyalty is social psychology. Post-purchase satisfaction will be influenced by peers' reactions to the buyer's choice. The public, not brands, own brand perception. Brand perception is what people believe, not what the brand says. Brand equity comes from use, experience, functionality, reputation and word-of-mouth. It's the intangibles that grease the wheels of positive social reception. Customers need ways to communicate the shrewdness of their choice. And so, it is not the product or service itself, but everything that surrounds it, which gives it real defensible differentiation.

1**Marketing**

The perception of quality can be more important than the actual quality.

2**Branding**

The only subjective measure of beauty that matters is the aesthetic sentiment of the customer.

3**Service**

From greetings to the cleanliness of bathrooms, service signals the degree to which a brand cherishes customers.

4**Employees**

Employees should reflect customers. Take the target consumer and mirror that persona internally.

5**Innovation**

Seeming innovative gives customers a sense that they themselves are evolved and better adapted for the future.

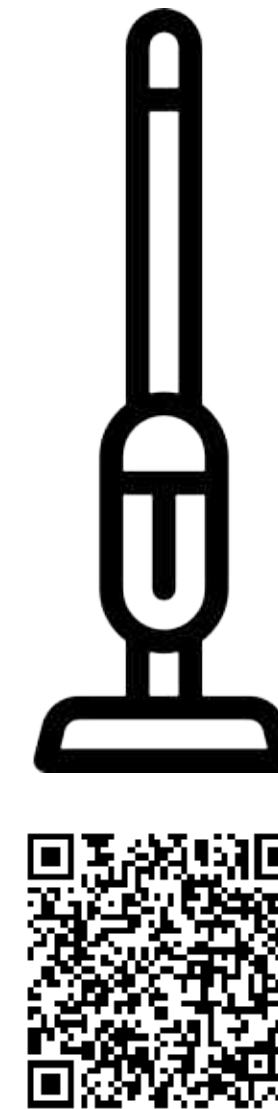
Beginning with the product and leveraging customer relationships makes this loyalty strategy uniquely robust.

Loyalty program flow and value proposition

Each Dyson product sold in China is labeled with a unique QR code. Customers are compelled to scan these QR codes to activate the warranty for their products. But this product registration process goes far beyond warranty activation. The customer's data is aggregated into a sophisticated sCRM and marketing automation platform, which segments customers for personalized communication, cross-selling, loyalty/advocacy campaigns, and data analytics tracking.

Because Dyson knows which products a customer bought, and when, it can send reminders to buy things like filters on its e-commerce platform. Aggregated customer purchase tracking tells Dyson which other products to push in drip promotion campaigns. Additionally, Dyson can create referral rewards campaigns offering existing customers customized offers for family and friends.

Unique Product
QR Code



CUSTOMERS

Product
Registration



CUSTOMERS

CRM + Marketing
Automation



Drip Promotion



Customer Center



Referral Program

LOYALTY
MEMBERS

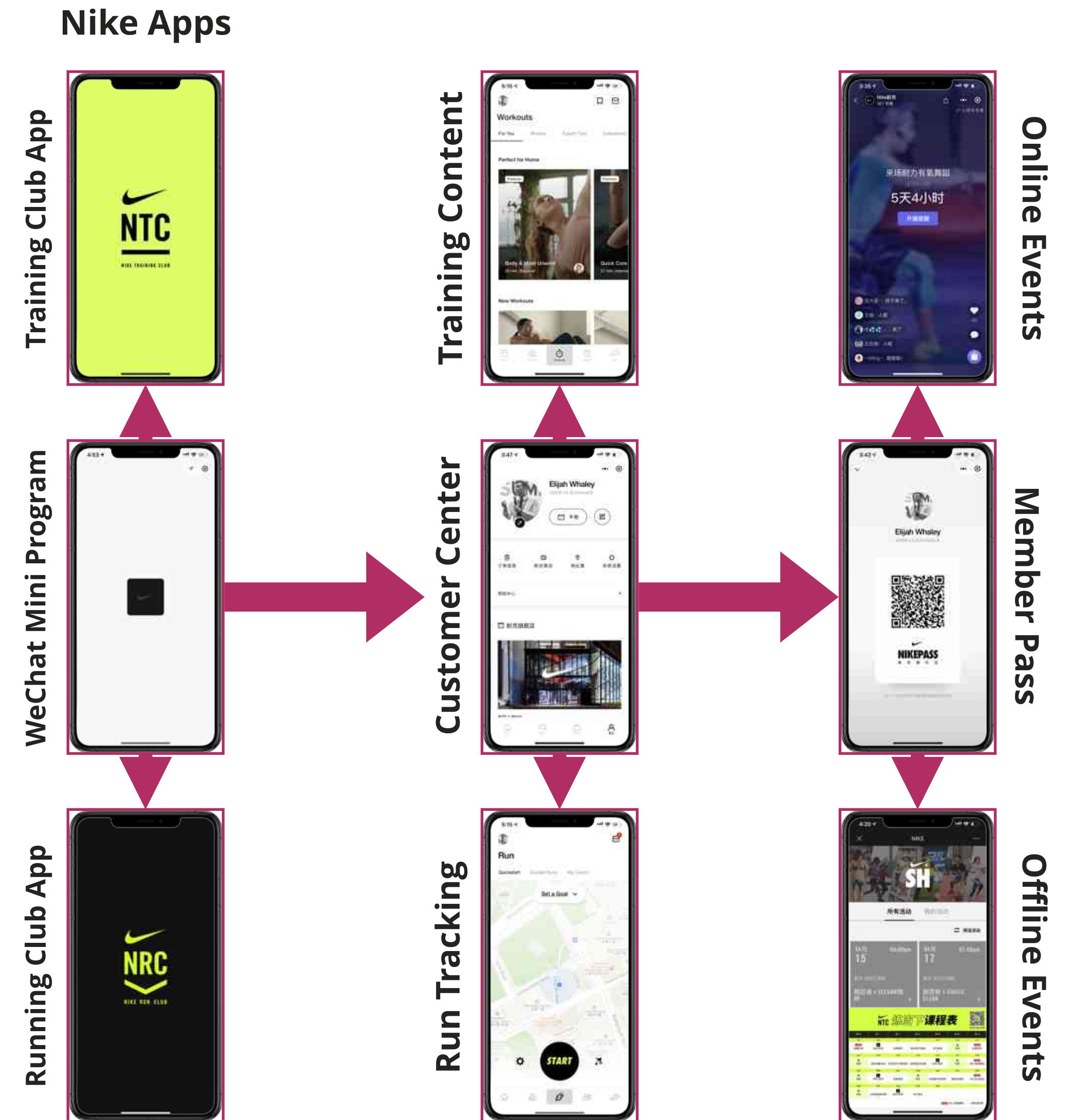
Freely giving away value first in tech apps, community activities, and training content is at the heart of this loyalty retention strategy.

Loyalty program benefits:

- Early access to new products
- Birthday gifts, discounts, customized experiences
- Training and nutrition content
- Access to local events
- Livestreams from local professional coaches
- Fitness tracking
- Personal workout consulting

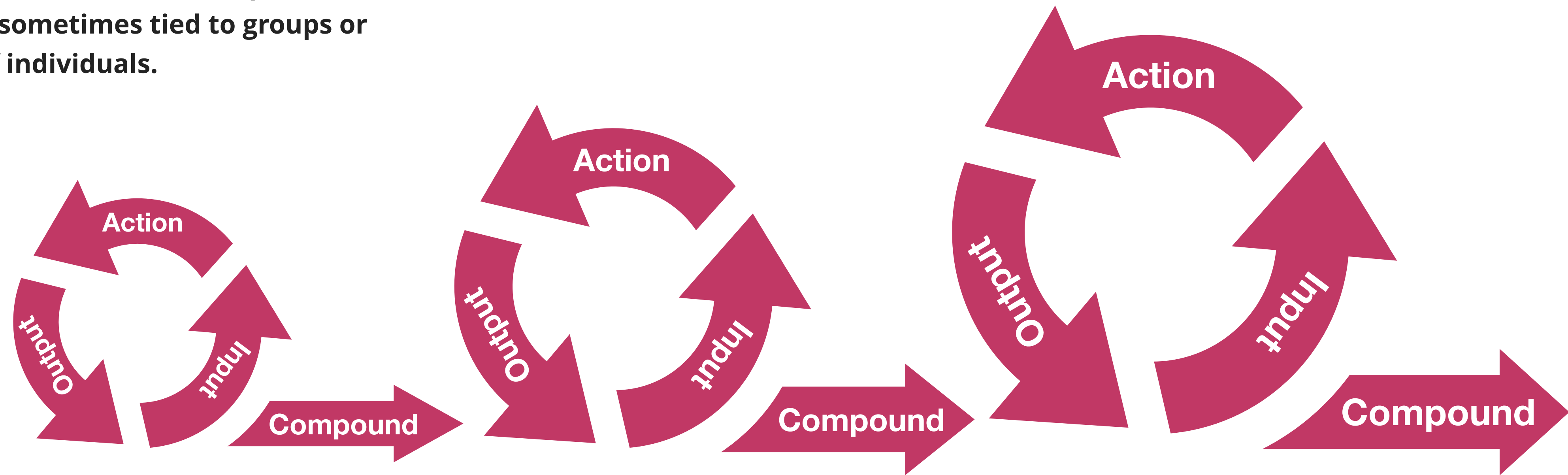
Loyalty program flow and value proposition

Nike's loyalty program membership starts with registering on Nike's NRC/ NTC apps or the WeChat Mini Program. Members then have access to a wide range of benefits. However, Nike's main value propositions for members center around training programs, performance tracking, and online/offline events. Members can register to participate in regularly held online and offline activities with professional trainers.



LOYALTY PROGRAM

Definition: Consists of tailoring a service or a product to accommodate specific individuals, sometimes tied to groups or segments of individuals.



Input: A customer gives personal or preference information to a brand.

Action: The brand modifies the customer experience or product in a way that is specifically appealing to that customer.

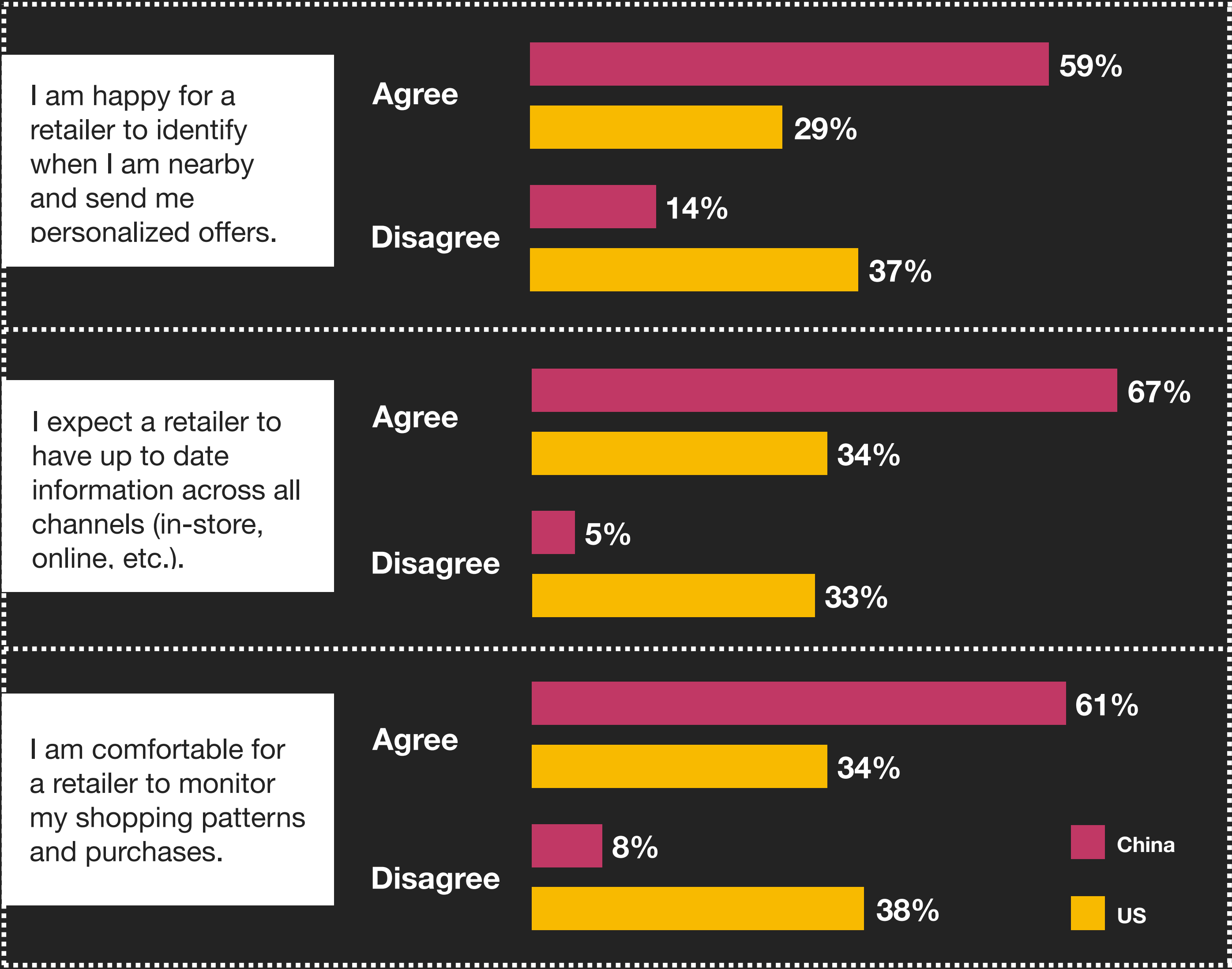
Output: The customer is more willing to reengage with the brand and supply additional information.

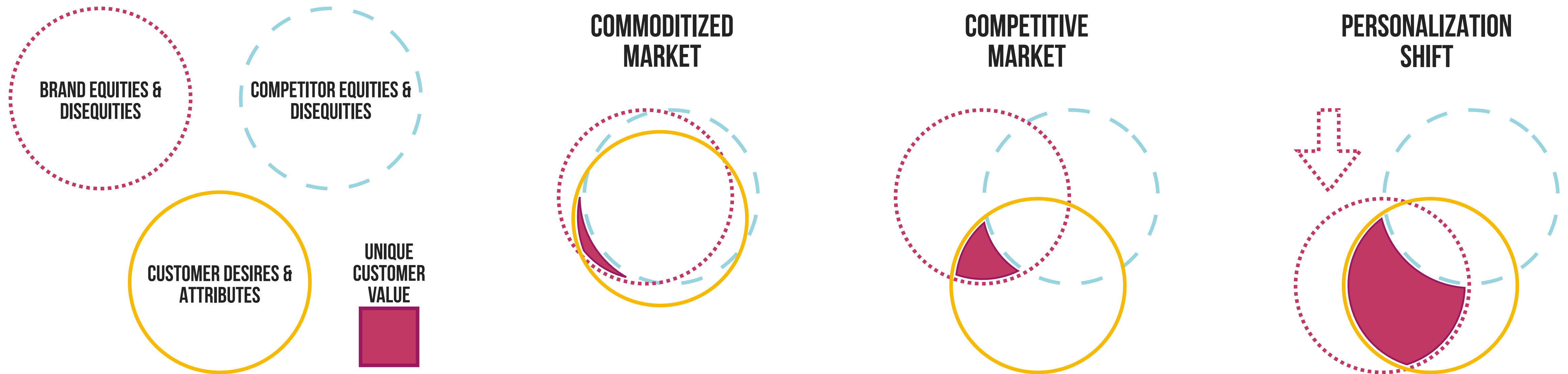
China consumers are much more willing to share data and have high expectations; they will receive a personalized experience because of it.

Standardized products no longer meet the personalized needs of consumers. This is why the market share of big brands is constantly being eaten by niche creative products. Diversification of categories and product upgrading are growing trends in China.

An exciting area of rapid growth in China is the consumer-to-manufacturer (C2M) model. As China’s factories become consumer-centric and brands collect customer data, what to make, and how much of it to make is rapidly streamlining.

Personalization is a broad topic that can touch product development through to customer service.





Commoditized Market: When a product becomes indistinguishable from others like it, and therefore, consumers buy on price alone.

Commoditization signals are: increasing competition, availability of 'me-too' products, customer reluctance to pay for features and services accompanying the product, and pressure on prices and margins in general.

Competitive Market: Markets are competitive when many producers with distinctive value propositions compete to provide consumers with goods and services. In a competitive market, no single producer or consumer can dictate the market. Customers choose products or services that they believe provide higher value.

Personalization shift: Personalization can shift a brand's equity into greater alignment with customers' desires. The primary way out of commoditization is through deeply exploring customer value to identify and understand needs that have not been well articulated. Brands can increase loyalty and create financial value most effectively by first focusing on the unique value they create for customers.

There is much work being done to develop on-demand product manufacturing to create customer-designed products.

Loyalty program flow and value proposition

Levi's had been experimenting with shifting to a demand-led model where retailers or end-customers design product finishings. With Levi's official WeChat Mini Program, customers can customize graphic patterns and write inscriptions for free on a limited range of jackets, T-shirts, and hoodies. Delivery is guaranteed within seven working days. Last July in the US, Levi's rolled out an online ordering system that allows customers to choose the wash, tint, pattern, wear, and color of the patch on new jeans.

For years, clothing brands have been looking at shifting the supply chain in ways that allow production to happen closer to the end customer. Body scanning technology is a particular area of interest as customers desire tailored clothes. However, at this time, most customization done in China is monogramming or other relatively superficial approaches. No doubt, this is an area ripe for innovation and disruption.

Shopping
Mini Program



Custom Clothing
Mini Program



Personalize



Preview



Purchase



01 DEFINING MOMENTS

Every moment will contribute to the potential for loyalty

Identify and map all the defining moments in a customer's typical experience with your brand. A defining moment is any point in time when a customer has the opportunity to form an impression of the brand. A defining moment is not a full transaction—it's only one of many moments that add up to a customer experience. Each defining moment can be positive, negative, or neutral. The goal is to make as many defining moments as positive as possible so that the overall customer experience is positive and memorable. By analyzing and strategizing each moment, a brand can plan how to make every moment positive and attempt to anticipate and hopefully avoid negative defining moments.

02 CUSTOMER-CENTRIC

The purpose of business is to satisfy others' needs

Strategic brands segment their customers, treating each segment as one big "customer". Each segment, however, is comprised of many individual customers who each individually experience the brand. Customer-centricity is often applied from the perspective of the customer segment, but it is individuals that interact with the brand. Each interaction must focus on making a customer satisfied. To do this, brands must determine what's important to each customer. Create early interaction points that assess what a customer needs/wants and get agreement on what the customer expects to receive. This will give the brand the insights it needs to be customer-centric and ultimately deserving of loyalty.

03 EMPOWERED EMPLOYEES

Customers need individualized service

The difference between services and service: Services - pre-boarding privileges, an assigned personal representative, etc. - are used to buy loyalty. But customers only remain loyal as long as the value of the services is competitive. Because services can be directly related to budget expenses, they are typically easy for competitors to match or exceed. In contrast, service - attention, empathy, care - target the human, business, and hidden needs of customers. Competitive advantage will manifest in employees that are consistently delivering customized service to customers. Provide employees with proactive leeway to proactively do what is right by each customer.

04 THE EXTRA MILE

Do more than what is required

Being proactive and doing more than is required are not innate characteristics. On the contrary, evolutionary biology pushes each of us to expend the least amount of effort needed. Unfortunately, this primitive laziness is not adapted to modern consumers' desire for service. There is a survival-of-the-fittest battle taking place for the hearts, minds, and wallets of consumers. Only organizational cultures that center around a spirit of excellence will survive. People don't forget when pleasant, unexpected things come their way—a random act of kindness will leave a lasting impression. Exceeding customer expectations may be alchemy, but it's the surest path to loyalty.

Omni-channel loyalty tech solutions are a dime dozen. It's not so much about the tools you use but how you use them.

Loyalty Tech:

Many CRMs have loyalty marketing tools natively integrated. Though not all offerings are the same, some specific features can level-up a brand's loyalty game. Unique dynamic QR code creation & binding is one particularly important feature we found on only a couple of platforms.

Unique dynamic QR code creation & binding:

Dynamic QR codes allow linking URLs to be modified, provide scan analytics, password protection, device-based redirection, and access management. When combined with database binding, unique dynamic QR codes can be assigned to an individual product, event, or customer. This binding gives brands the ability to track a wide range of actions, like attributing contacts to a principle referral customer, campaign engagement, and or product purchases.

*For a truly innovative loyalty sCRM, check out - fugumobile.cn

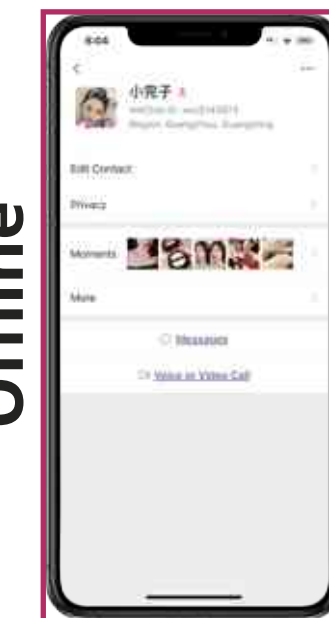
Omni-channel Customer Data Aggregation



Online



Commerce



Offline

Loyalty System



Omni-channel Customer Data Application



Support



Personalization



Rewards



ADVOCACY

EXPONENTIAL RETENTION

Abstract

*Chinese consumers are placing increasing value on peer-to-peer product reviews prior to purchase. According to research by PWC, 54% of Chinese consumers seek to validate product quality through reviews, comments and feedback prior to purchasing compared to 47% globally, and 27% will write their own review of the product or experience after purchasing compared to 20% globally. - **PWC***

*Word-of-mouth creates more trust than any other source of information... - **Kantar***

Brand marketers do not need another acronym; they need a paradigm shift in thinking. Key Opinion Customers (KOC) are often interpreted as Micro or Longtail-KOLs, and thus, many brands are developing strategies around a poor interpretation of a fundamental idea. *Every brand has KOC.* It's what brands do or don't do to leverage KOC that makes the difference. KOC exponentially increases LTV for a brand by combining loyalty, community, and advocacy to drive brand awareness and sales among their intimate circle of influence, which is primarily composed of friends, family, and colleagues.

Domestic Chinese brands are perfecting the art of KOC marketing. The rewards of pursuing excellence in KOC marketing are huge, as it can deliver a sustainable and significant competitive edge that few other marketing approaches can match. Yet, some brands worry that KOC marketing remains immature as a discipline, while others argue that they can't draw on extensive data or elaborate marketing tools fine-tuned over decades. For those with reservations about actively managing KOC, consider this: the incremental gain from outperforming competitors with superior programmatic ads, for example, is relatively small. That's because all companies actively manage traditional marketing activities, and all have similar knowledge. With so few companies actively managing KOC, the potential upside is exponentially higher.

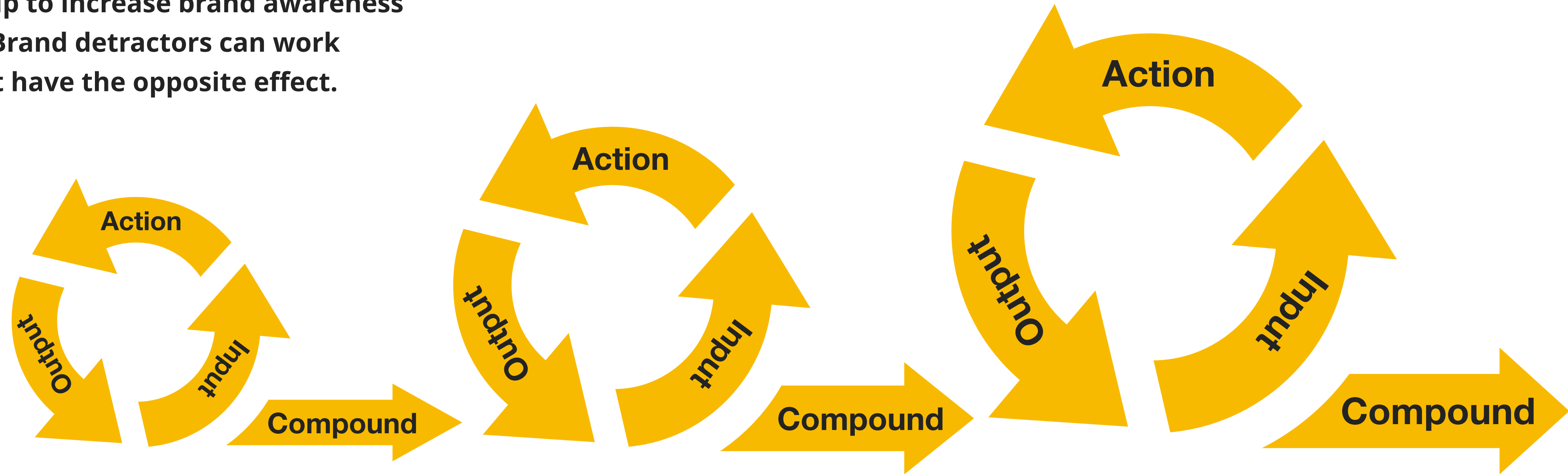
Putting marketing into the hands of consumers requires a reversal of some processes. A brand must have a co-creational approach to marketing and advertising, which puts consumers in control. It is this relinquishing of control that can be the most concerning. But in the age of social media dominance, it doesn't matter what a brand says about itself; it matters what customers say about a brand.

The goal is to turn all customers into KOC. What brands should be focusing on is identifying, compelling, tracking, and rewarding KOC.

**"ONE PERSON CAN
MAKE A DIFFERENCE,
AND EVERYONE
SHOULD TRY"
- JOHN F. KENNEDY**



Definition: Actions by individuals that aim to influence the decisions of others and, by doing so, help to increase brand awareness and sales. *Brand detractors can work similarly but have the opposite effect.



Input: A customer purchases a product or interacts with a brand based on a KOC's recommendation.
Action: A customer is compelled to promote due to satisfaction, brand reward mechanisms, post-purchase rationalization, social reinforcement, and or other emotional/psychological reinforcements.
Output: A customer becomes a KOC after advocating the brand to other potential customers.

KOC Are Your Customers

Whether it be Top-tier, Mid-tier, Micro, or Long-tail: KOL are in the business of building influence, with ambitions of monetizing that influence. KOL might or might not truly love the brands they collaborate with, which is what occasionally brings their authenticity into question. A KOC's value to a brand extends beyond loyalty as they evangelize the brand or products they love to family, friends, and colleagues. KOL leverage fan relationships and proclivities towards hierarchical conformity to influence buying behavior. KOC are the grassroots of broader customer norms and spark the flame of communal affirmation. One of the most significant challenges to KOL marketing is scalability due to the high-touch nature of managing campaigns and steep fees, whereas KOC strategies benefit from scales of economy.

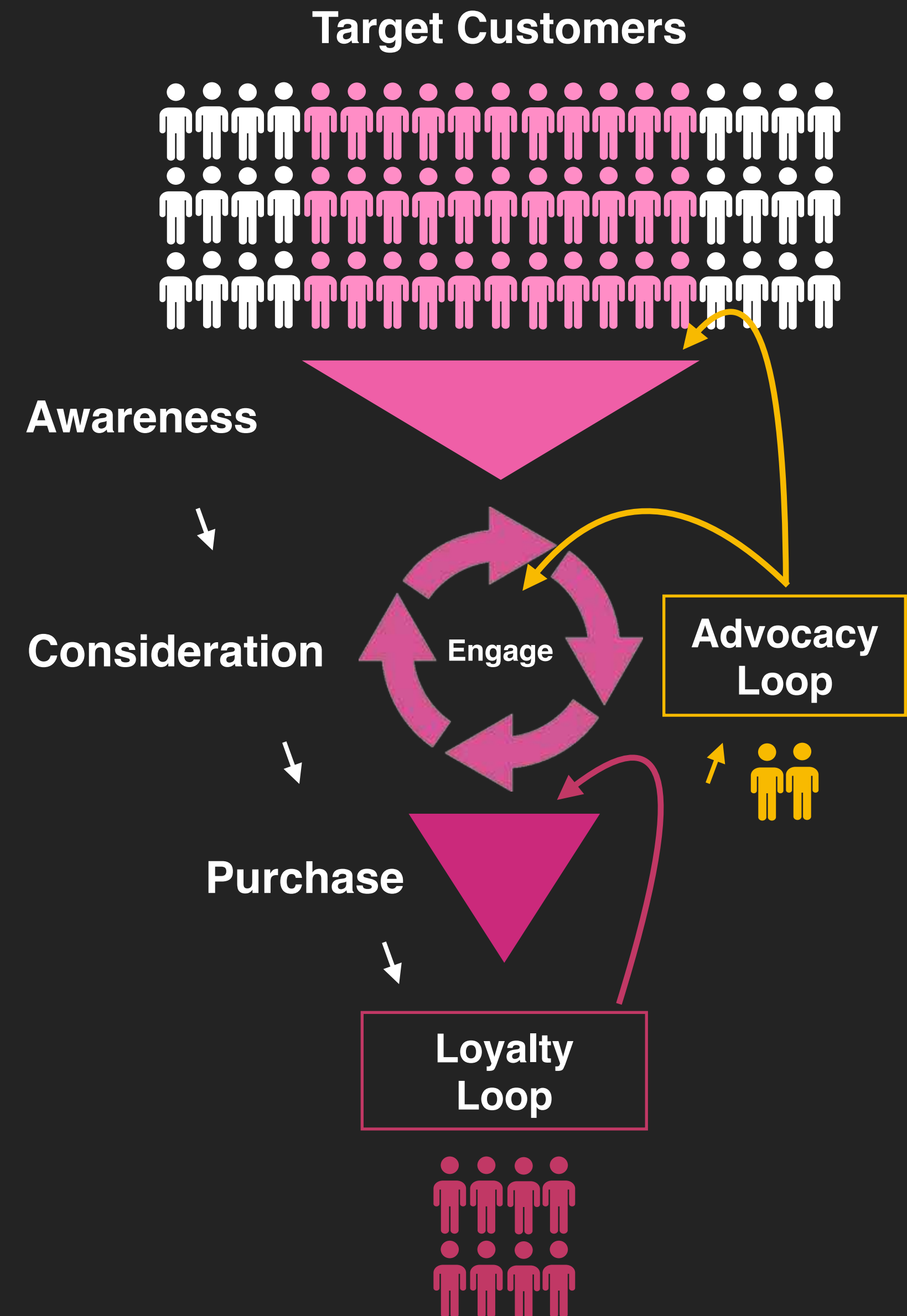
- **KOL are brand agnostic**
- **KOL influence social followers**
- **KOL have questionable authenticity**
- **KOL rank by virality metrics**
- **KOL are paid fees and or commissions**
- **KOL desire broader influence**
- **KOL might launch their own brands**
- **KOL are an unavoidable necessity**

- **KOC have a clear brand preference**
- **KOC influence family & friends**
- **KOC are innately authentic**
- **KOC rank by engagement & affinity**
- **KOC are not paid fees**
- **KOC desire deeper influence**
- **KOC desire deeper brand relationships**
- **KOC are marketing's Holy Grail**

THE MOST INFLUENTIAL INFLUENCERS ARE FRIENDS & FAMILY

- The explicit purpose of any **KOC incentive** is to generate specific high-value actions from customers.

It is crucial to keep the authenticity of KOC as pure as possible. Therefore, KOC should not be driven solely by economic gains. Rewards should depend on the honesty and value delivered to other potential consumers. KOC initiatives grow by identifying and motivating influential customers. Brands can't precisely control what KOC tell others, but brands can use incentives to shift KOC recommendations from casual to intentional. The goal is to reward KOC for communicating in a way the brand can't.



BE SHARE-WORTHY

Not all KOC need to be rewarded by the brand or will want to join an official KOL program. Organic KOC will be motivated by past satisfaction, post-purchase rationalization, and/or other emotional/psychological reinforcements. However, there are things a brand can do to increase organic advocacy.

Customer Service: Nothing trumps excellent customer service. Being valued and taken care of builds trust and affinity. It's these tangible interactions that make a brand human and can increase the chances of customers recommending the brand.

Personalization: Whether it's via communication with a customer or altering the product itself, personalizing the experience will make interacting with the brand feel special. It's these special moments that can make the brand stand out and shareworthy.

Experiential Design: Modify customer touchpoint experiences in a way that creates micro-moments specifically designed to trigger customers' compulsion to share unique life events. This is especially impactful in physical interactions.



IDENTIFY, COMPEL, TRACK, REWARD

Some customers will only be motivated by tangible goals and rewards. That's when incentives can be used to pursue customers to advocate that otherwise would not. Potential KOC are loyal customers, highly engaged community members, and/or those who organically mention the brand.

Identify: Set CRM triggers to highlight above average loyal customers. Use social listening tools to identify community members and organic KOC positively mentioning the brand.

Compel: Add advocacy incentives to existing loyalty programs. Develop an advocacy program to create a KOC cohort. Launch advocacy focused campaigns like referrals or group buying.

Track: Bind customers to assigned unique dynamic QR codes that track referrals. Utilize PARKLU's new KOC Relationship Management (KRM) tools.

Reward: Employ a variety of physical and psychological rewards to motivate potential KOC.



1**E-commerce Comments**

The importance of customer reviews on e-commerce platforms should lead brands to develop campaigns that specifically focus on boosting customer feedback.

2**E-commerce Followers**

Store fans are almost as crucial as individual product comments. The number of followers a store has affects two algorithms; the platform's store ranking algorithm and the human social proof algorithm.

3**User Generated Content**

Generating a large quantity of UGC has never been more critical for increasing awareness and sales performance. The best chance of going viral on Douyin or being discovered on Xiaohongshi is to motivate a large verity of KOC to produce content.

4**Referrals**

Rewarding KOC for recruiting their family and friends to engage with the brand is borderline multi-level marketing; nonetheless, it has become a common practice.

5**Offline Engagement**

Mobilizing KOC for store openings, product launches, and special events is an essential tactic for creating the buzz that attracts others to participate.

6**Brand Image**

KOC play a special role in creating the image and culture of a brand. Some brands have developed ingenious ways of guiding customers to interpret that external image in a way that falls inside brand guidelines.

1**Early Access and Discounts**

KOC are granted early access to new products. A limited number of discount codes are included for friends and family.

2**Referral Program**

KOC are given trackable codes to share with friends and family. For every referral, KOC receive points, discounts, or products.

3**Comment or Follow**

KOC receive an opportunity to win a lucky draw entry for commenting or for the friends and family they refer to follow an e-commerce store or social account.

4**Content Features and Prizes**

A KOC's content is selected to be featured in brand-owned social media channels and/or win a prize.

5**Event Invites**

KOC receive gifts, discounts, or opportunities to interact with celebrities and KOLs for attending offline brand events.

6**Product Seeding**

KOC receive free products as part of new product release launches. Seeding often includes samples for family and friends.

7**Select Our Ambassador**

KOC are allowed to vote on which celebrity or KOL they would like to be a brand's ambassador.

8**Official Brand KOC**

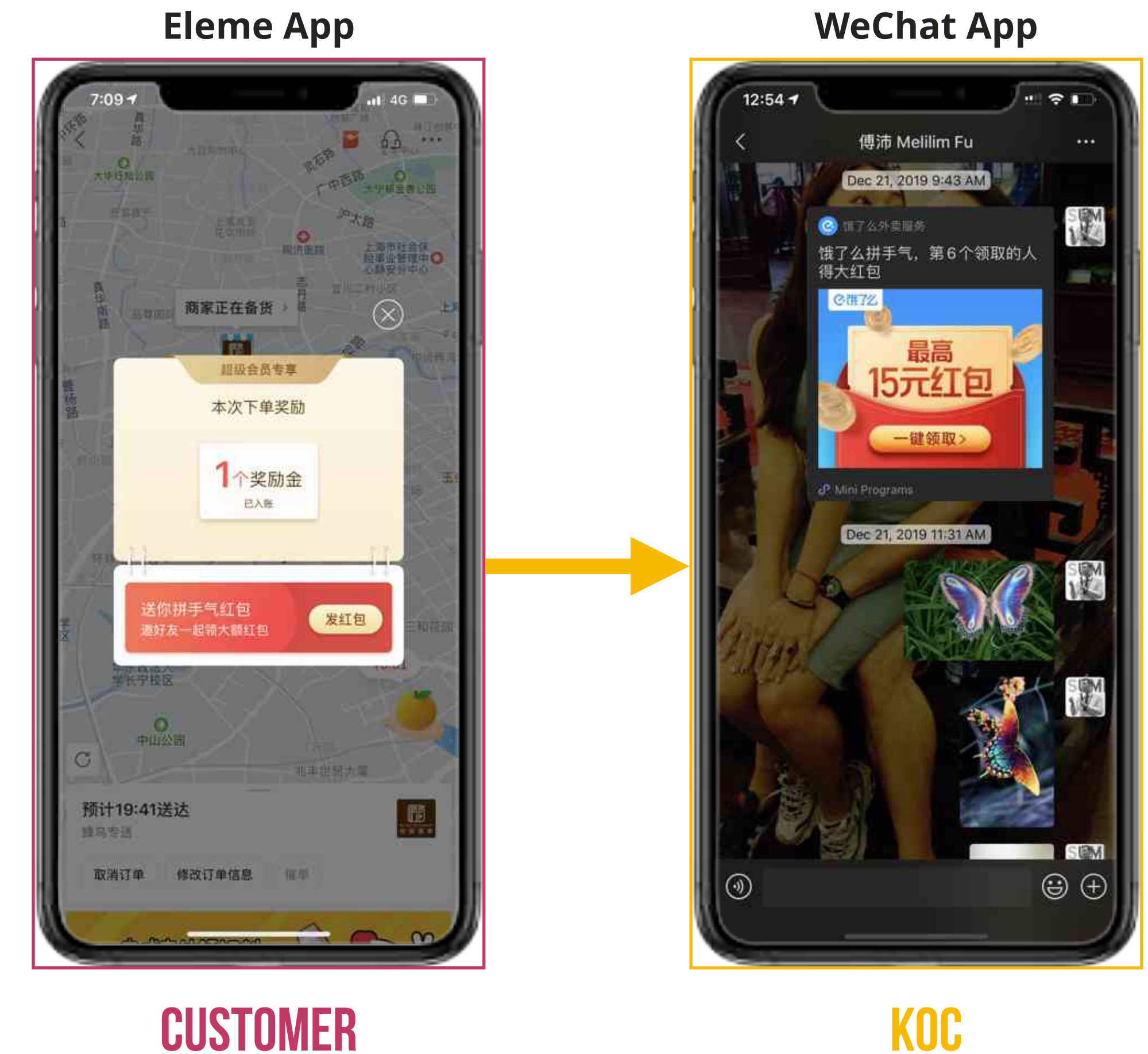
KOC are treated like a KOL with an opportunity to become an official KOC Brand Ambassador.

Eleme leans hard into users' psychological bent for discounts. In exchange, they boost user acquisition and gain insights into life cycles.

KOC benefits and management

Eleme is one of the sickest apps in China, and not just because having food delivered to your door is a fantastic service. Eleme has built in a tremendous amount of discount triggers, membership benefits, and prize campaigns that make it hard not to open the app even if you're not hungry.

Eleme utilizes five main types of coupons: new user coupons, referral coupons, food coupons, delivery coupons, and membership coupons. All coupons have a limited validity period to create a sense of urgency, which is generally three to seven days. Eleme places heavy emphasis on the referral coupons, as these are the ones that turn customers into KOC. After almost every purchase in the app, users will be prompted to share a discount coupon with friends. If any friends use the coupon, the sender will also receive additional discounts on future purchases. This type of reward for advocacy is an exemplary implementation of a KOC Loop. It works well because it leverages consumer behavior and the potential viral spread of social media.

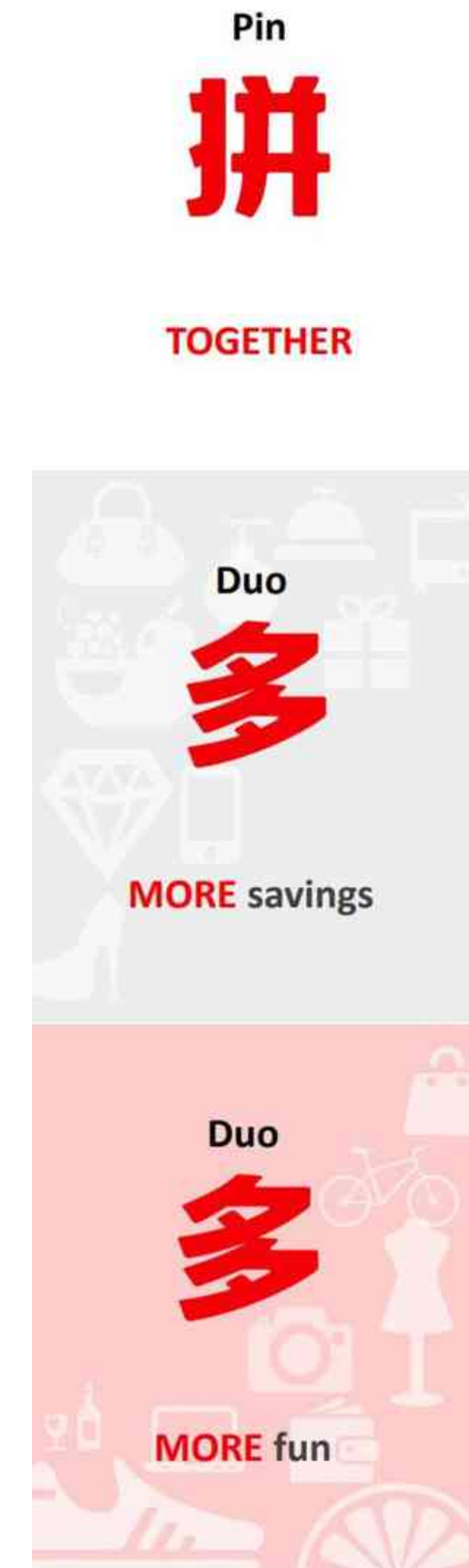


On the surface, Pindoudou's "Circle of Trust" seems like it only serves to combat counterfeits, but it's actually creating KOC at scale.

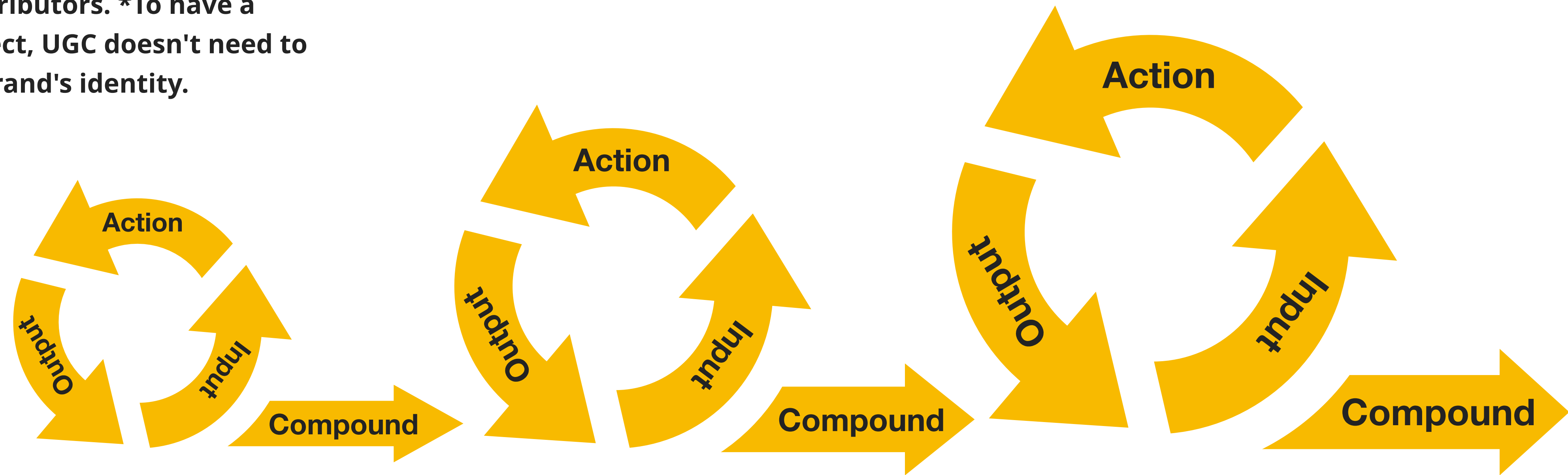
KOC benefits and management

Early this year, Pinduoduo added a new social e-commerce feature to its app. Users can now establish their own "circles of trust" where they can exchange product reviews with a self-selected group of friends and family. The feature, dubbed "Pinxiaoquan," was initially meant to tackle counterfeit and substandard goods. The Coronavirus was the mother of this innovation, as complaints about masks skyrocketed on the platform during the outbreak.

What makes this feature so fascinating is that it's grooming KOC activity and product referral behavior. Users can now follow the purchase histories and comments on listings of the people they trust, cutting through the noise produced by Pinduoduo's 536 million users. Pinxiaoquan provides a shortcut to finding not only trustworthy merchants, but has created a new way to see what trusted users are buying, which effectively turns everyone into KOC.



Definition: Any content that has been created and distributed by unpaid contributors. *To have a positive effect, UGC doesn't need to embody a brand's identity.



Input: A customer purchases a product or interacts with a brand after exposure to UGC.

Action: A customer is compelled to create UGC due to satisfaction, brand reward mechanisms, post-purchase rationalization, social reinforcement, and or other emotional/psychological reinforcements.

Output: A customer becomes a KOC after creating UGC that promotes the brand or product.

USER GENERATED CONTENT

THE MOST TRUSTED CONTENT COMES FROM CUSTOMERS

- 85% of consumers find UGC more influential than brand photos or videos - Wyng
- 61% of customers will read online reviews before making a purchase decision - it consultis
- 54% of Chinese consumers seek to validate product quality through reviews, comments and feedback prior to purchasing - PWC
- UGC is more credible for consumption decision and product evaluation - 36KR

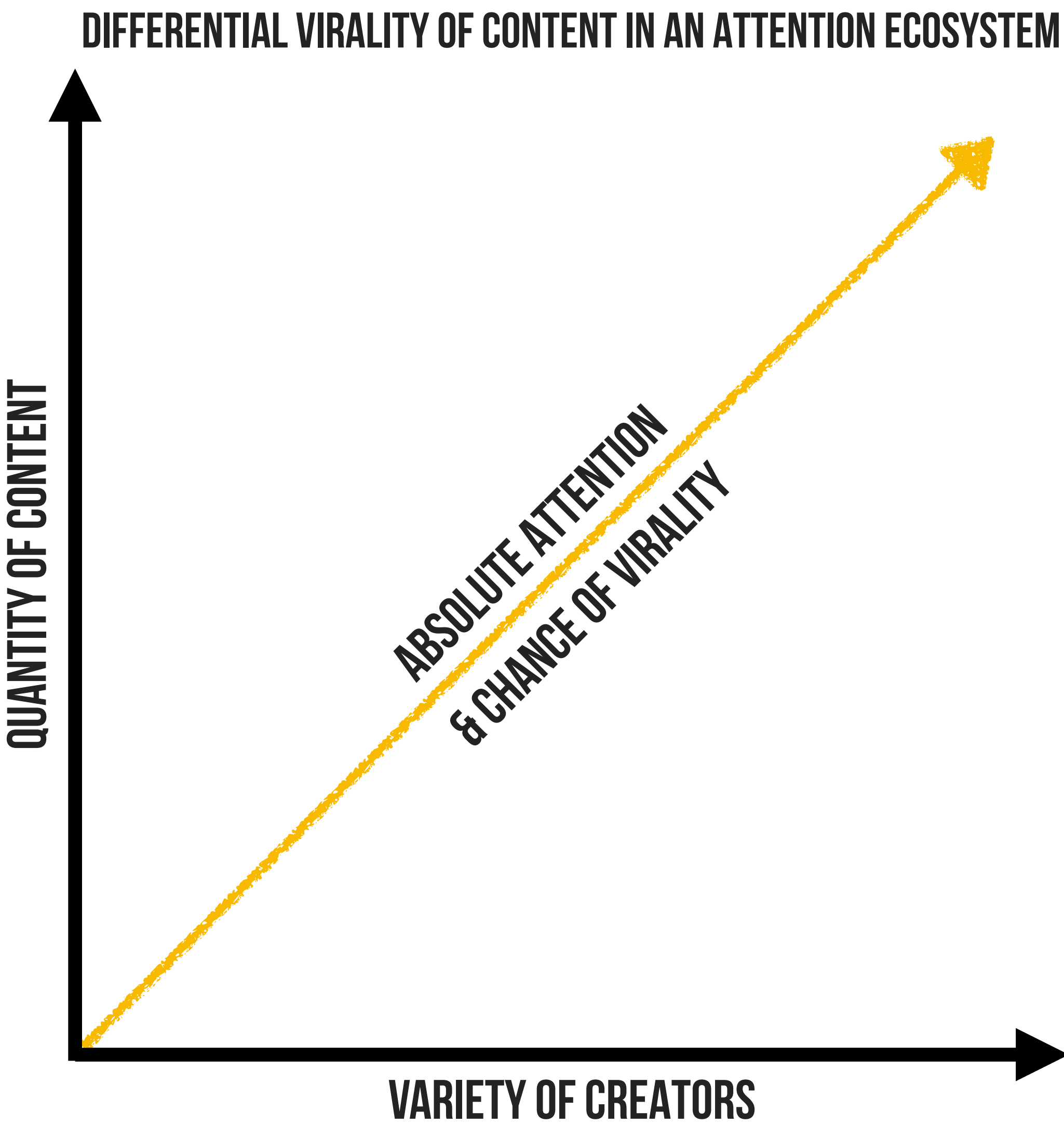
The vast majority of brands cannot create enough impact via their content marketing initiatives. The pace of churn and haphazard attention paid to any post makes social media distribution unpredictable and risky to scale. Due to this hit-and-miss condition, brands should increase their chance of awareness by focusing on the quantity generated by KOC. However, not all attention is created equal. For instance, the big difference between Douyin and Xiaohongshu is that an autonomous content feed drives one while the latter focuses on search. The intention to discover activates the cerebrum, while an AI feed taps into a more ancient part of the brain.

The nature of Douyin

Douyin’s AI algorithm plays to the limbic system, the part of the brain that does not register concepts of time, nor applies logic. The limbic brain evaluates everything as either agreeable or disagreeable. This pre-historic survival mind is predicated on the avoidance of pain and the repetition of pleasure. Douyin’s AI spoon feeds users with videos that produce positive feelings. This is why most content on the network is not “cerebral”, as higher-level thought, judgment, and decision-making videos would challenge users.

The nature of Xiaohongshu

Xiaohongshu’s content receives greater scrutiny from the cerebral cortex, the part of the brain responsible for higher-level cognitive thought and decision making. Each post on the network is judged and ranked based on its decision making utility. Features like search and save, turn Xiaohongshu into a learning tool that enables a network of KOC to aid customers on their Buyer’s Journey.



Featuring KOC content and publicly rewarding KOC on brand-owned social media channels gives the brand an authentic human feel.

UGC incentives & management

Perfect Diary's management of its Xiaohongshu account is almost unrivaled, and the brand's tactics around incentivizing UGC is no exception. Perfect Diary regularly runs UGC contests on Xiaohongshu. The brand maximizes the value of UGC by featuring the creator's content on its official brand account. Perfect Diary @s the accounts of KOC who create posts and other daily campaign winners. Perfect Diary's Xiaohongshu account has 1.9M followers, so exposure from Perfect Diary is a unique way to give the gift of social capital.

Perfect Diary also actively maintains its brand mention feed (@TA content feed); this feed contains all approved brand mentioned UGC posts. In the backend, brands can manage the UGC posts displayed in the @TA feed. It's shocking how many brands opt to neglect UGC and the @TA feed.

Main Feed



FEATURING
UGC

Feature Post



REPURPOSING
UGC

@ Winners



@ING KOC &
WINNERS

@TA



BRAND MENTION
FEED

This is a noteworthy approach to generating UGC from KOC, though it may have already proved to be a low-impact tactic.

UGC management

YSL has chosen an expensive approach to compelling KOC to share UGC. When a WeChat user follows YSL's Official WeChat account, they will be asked to create a Y Pink Membership Club account. This will then give them access to the "Y Pink" product review social media Mini Program, which is separate from YSL's e-commerce mini program. The Y Pink mini program operates like a dumbed-down Xiaohongshu. Members can post pictures, text, and like other members' posts. However, that's about it.

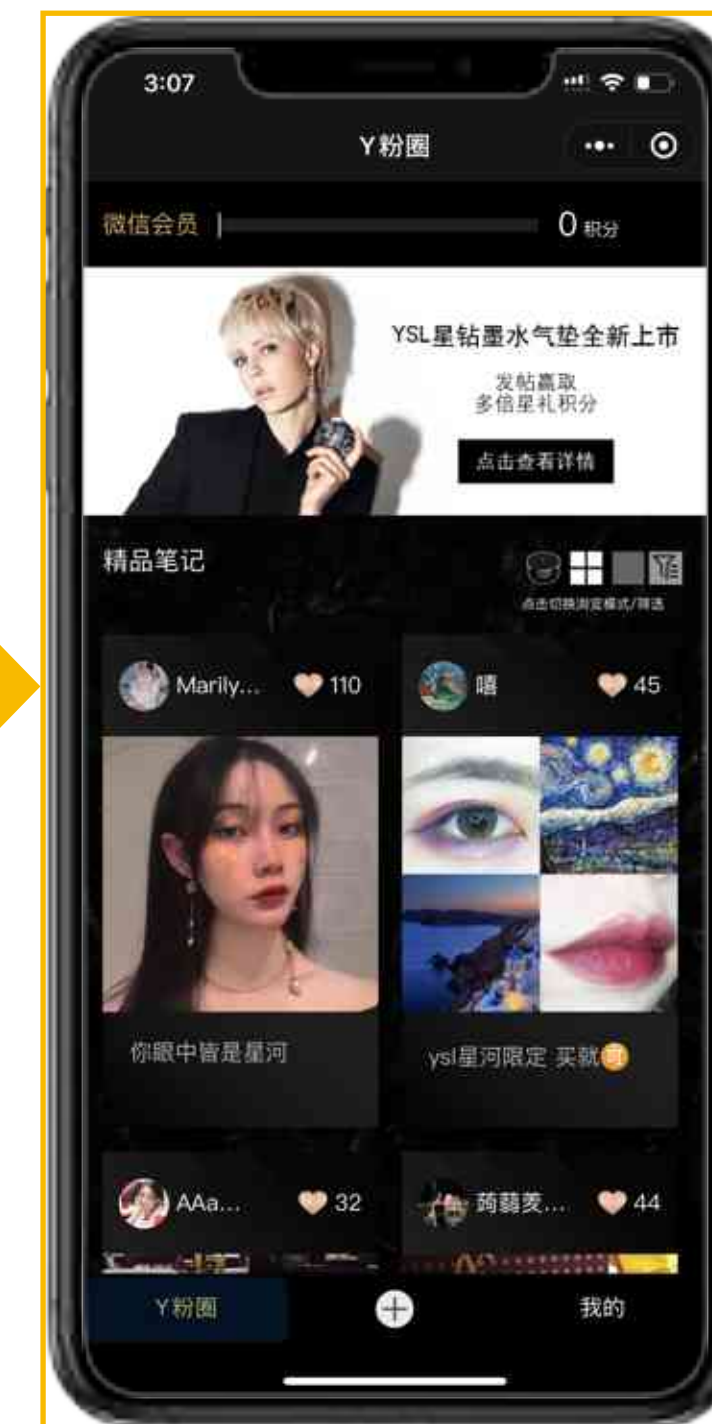
YSL's mini program gets an A for effort, but in most ways, it's hamstringing itself from being truly useful. The posts can only be seen by other Y Pink members and can't be shared, which defeats the potential impact of this UGC. Also, it doesn't function well as a community stimulator as there are no comment or chat functions. The most recent posts are more than three months old, and there is probably a good reason for that. Why make content when there are no rewards or tangible social capital to be gained?

WeChat Official Account



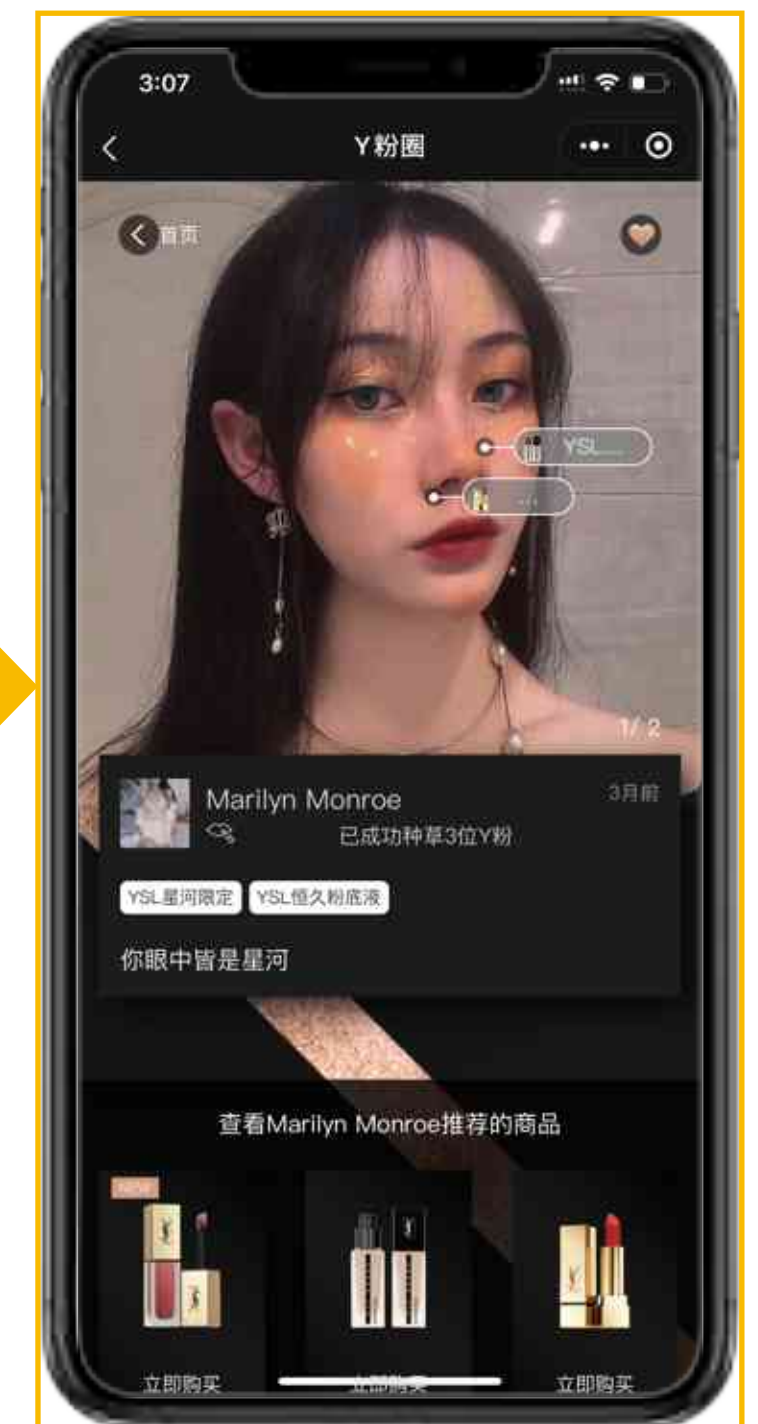
FOLLOWER OR CUSTOMER

WeChat Mini Program



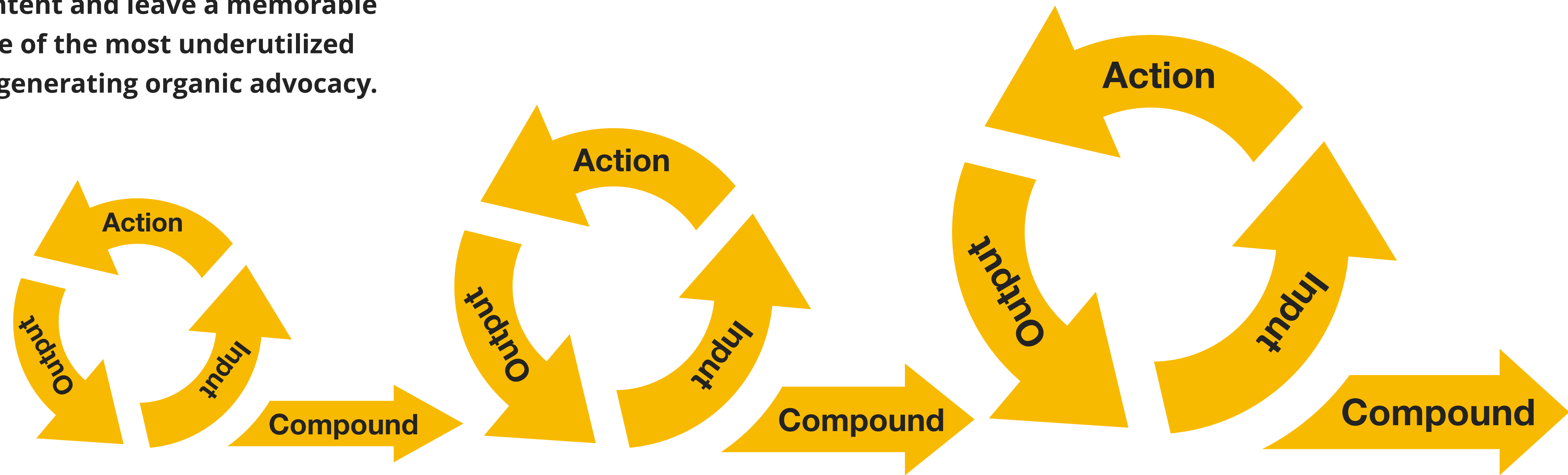
CONTENT NETWORK FOR MEMBERS

User Post



KOC UGC

Definition: Immersive experiences designed to inspire the co-creation of sharable content and leave a memorable impact. *One of the most underutilized methods of generating organic advocacy.

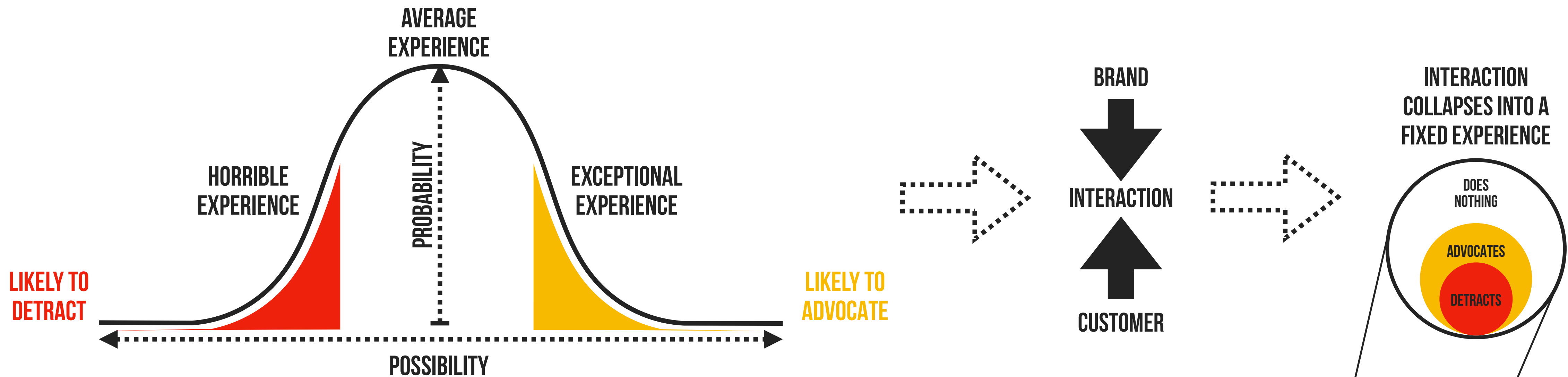


Input: A customer interacts with a brand after hearing of another customer's experience.

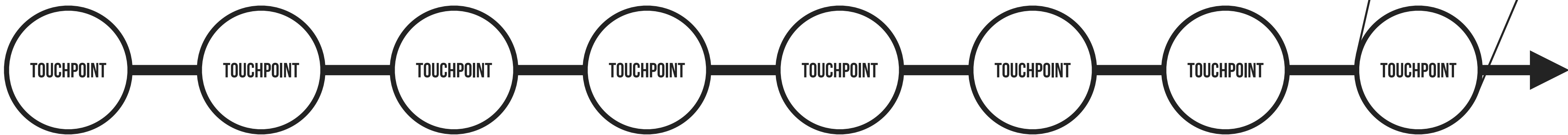
Action: A unique and or unexpected brand interaction delights the customer eliciting the desire to share.

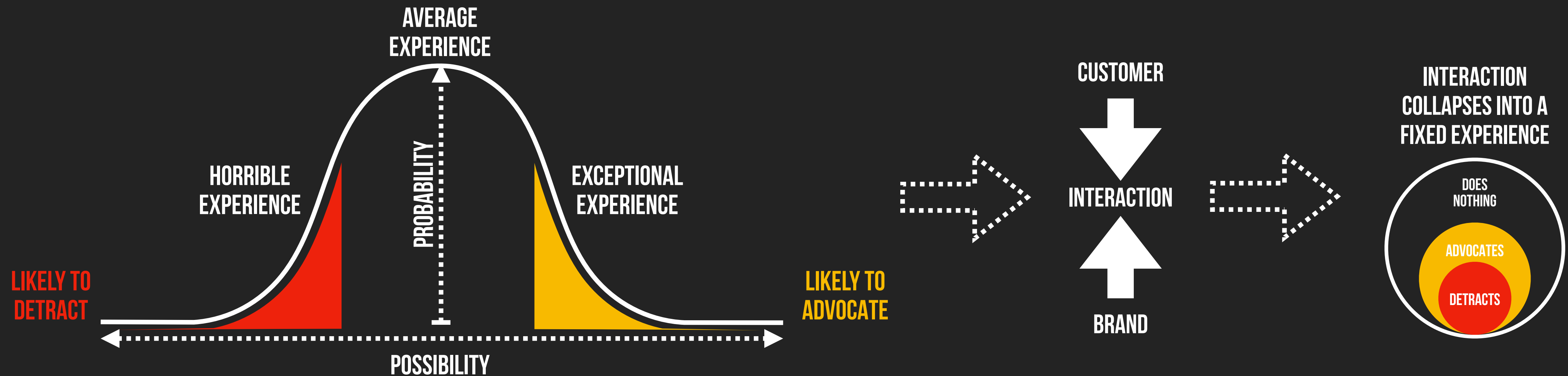
Output: The customer becomes a KOC after sharing the experience with others.

POTENTIALITY OF AN INTERACTION



CUSTOMER EXPERIENCE MAPPING

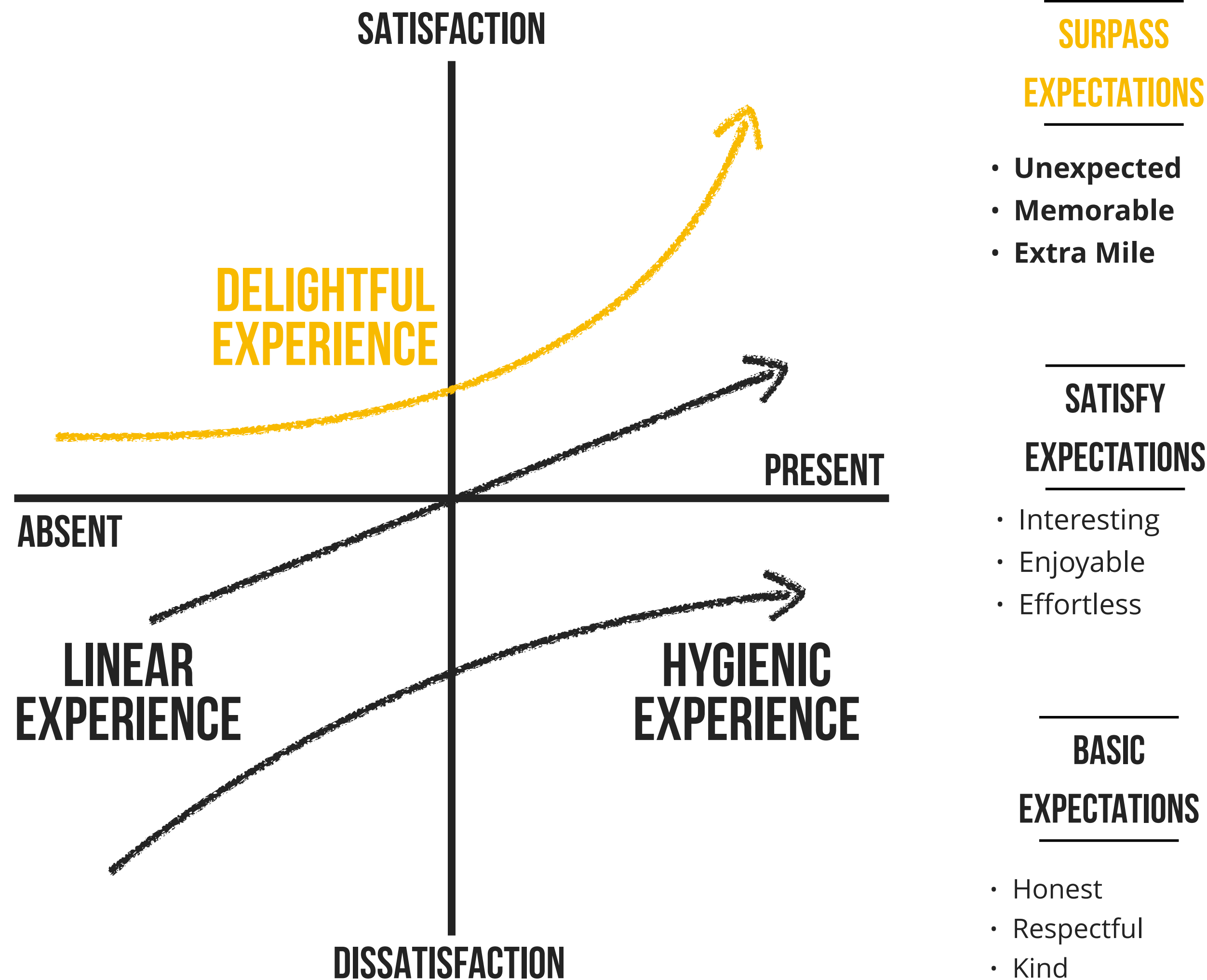




Potentiality of an Interaction

We can break brand touchpoints in the buyers' journey into individual interactions that produce experiences. Each interaction holds the potential for an infinite range of possible experiences. However, a probability bell curve restricts an interaction to a likely range of experiences. When the customer and brand interact, there is a potentiality collapse, producing a fixed experience. By intentionally designing the possibility of exceptional experiences at each touchpoint, a brand can shift the probability curve towards an increased likelihood of advocacy. Brands should map all points of interaction in the customer experience to discover arbitrage opportunities and strategize how to make more interactions exceptional.

There is an unknown dimension that dramatically influences the results of Experiential Mechanics. The expectations of each customer shift the probability bell curve in unpredictable directions. However, we can assume that there are brand touchpoints where customers will have higher expectations that, in turn, will make it more difficult for the brand to produce relatively exceptional experiences. Therefore, focusing on touchpoints, where customers least expect an exceptional experience, will increase the likelihood of advocacy.



Unexpected: Doing the unexpected is an attempt to create culture. An irreverence for norms is required to create experiences that celebrate customers in unexpected ways.

Memorable: Memorable experiences are rooted in emotions. More than anything else, a genuinely remarkable action will demonstrate a brand's humanity.

Extra Mile: It's not about being different or better; it's about dedication. Do far more than what is required.

*Surpassing expectations is an area of innovation because the unexpected repeated will become expected.

Most brands focus attention, and the customer's attention, on the pre-purchase experience. This is epitomized by how the majority of brands implement experiential marketing. Experiential marketing is primarily restricted to pre-purchase interactions with potential customers at offline events or with digital signage and visual merchandising. There are a couple of issues with these brand vanity approaches.

Disruptive Experiences

Pre-purchase experiential marketing is mostly dependent on disruptive practices. The tactics used are meant to grab the attention of potential customers, pulling them away from something else to engage with the brand—this lack of consent from the receiver risks being undesirable.

Brand Vanity

No one cares about brands; they care how brands make them feel. But most experiential marketing is focused on making the brand look good instead of making customers look good. This is a crucial insight because everyone has a preference for those things that make them look good.

Surprise & Enhance

One of the primary purposes of experiential marketing is to compel people to share the brand experience. Several KPIs for any experiential marketing campaign will focus on the buzz that the experience generated before a product was even purchased. However, customers are most likely to share a brand experience *after* they buy a product. Arbitrage can be found in the post-purchase experience because so few brands focus on it. Concentrating effort on the post-purchase experience will be unexpected by customers. A non-disruptive surprise can increase the likelihood of a positive brand experience right when customers are most likely to share. If the surprise is combined with post-purchase enhancements that leverage customers' desire for social capital, a brand can create experiences that significantly increase the odds a customer will share their purchase with others.

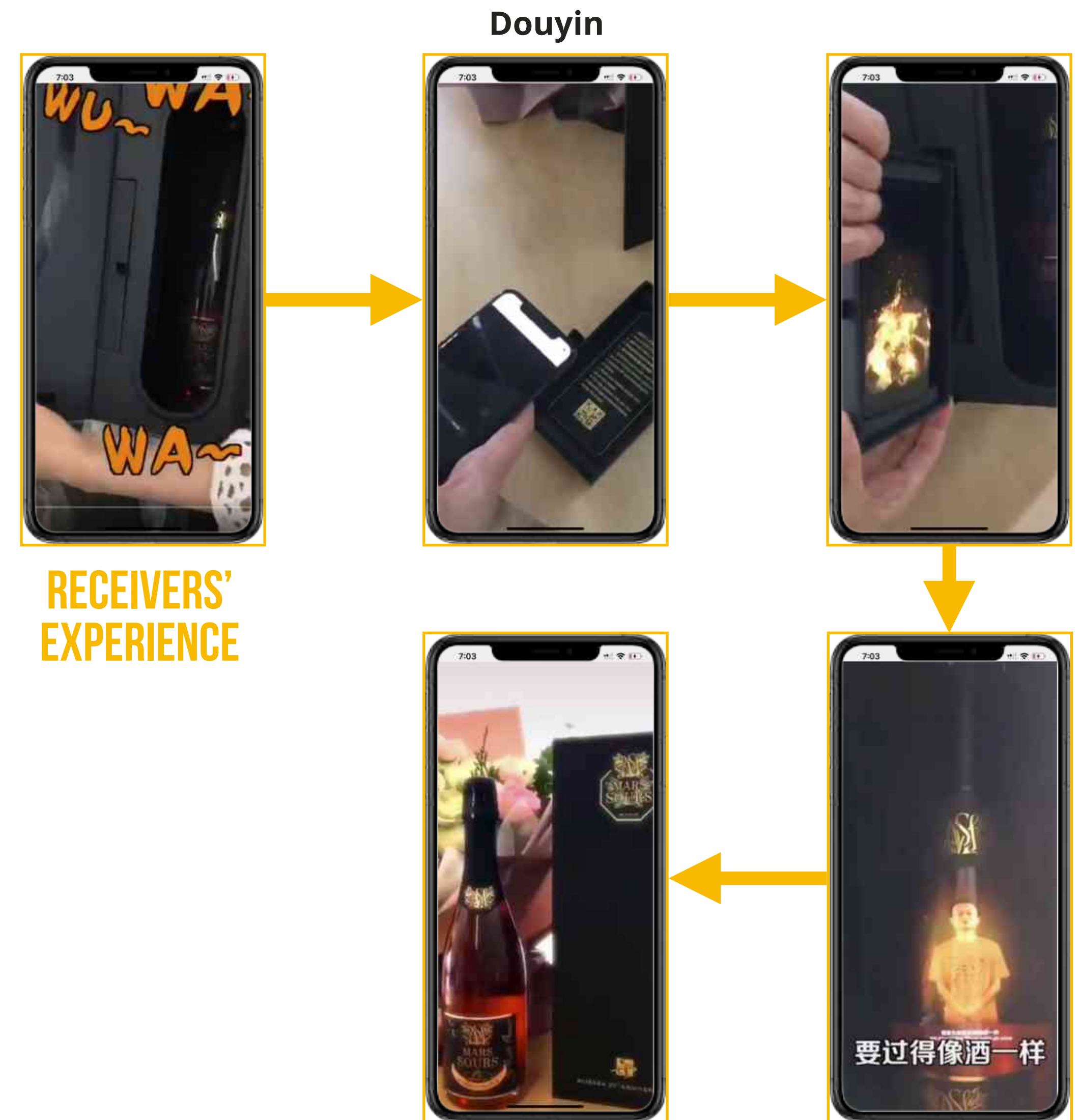
Though it was not the intention, this approach to surprise the receiver and enhance the product created a shareworthy experience.

Buyers' journey mapping and experiential design

The now-retired founder of Chinese e-commerce giant Alibaba Group sent a gift around to staffers to mark the company's 20th anniversary. The gift was a bottle of wine, but it came with packaging that set it up to be more.

A pull-out slot on the side of the wine bottle had a scannable QR code that launched a video on the recipient's smartphone, featuring Jack Ma reflecting on Alibaba's 20-year history. Popping the slot back into the packaging then reflected the video in the wine bottle, creating a hologram-like display.

This is a perfect example of how a brand can turn the post-purchase experience into a special moment that compels customers to share with family and friends. This type of tactic has powerful potential for awareness amplification as customers become part of a brand's marketing strategy and are happy to spread the word because it enhanced their experience.



This product development team deserves mad props for specifically designing a product to be an experience worth sharing on social media.

Buyers' journey mapping and experiential design

Proya spent two years researching and designing its Bubble Mask. The brand wanted to create a product that met both the Chinese consumers' functional needs and could leverage the highly visual nature of social media word-of-mouth. Proya intentionally launched the Bubble Mask in mid-summer 2019, as the mask provides a cooling sensation and focused on the highly visual and viral by collaborating with 2,000+ short-video KOLs on Douyin. To ensure stable supplies, Proya prepared for peak demand and ended up delivering 1M masks per day.

The mask market is very competitive in China. Proya spent time searching for a novel concept in foreign markets that could be combined with domestic consumer desires. At its peak hype, the Bubble Mask was first on Douyin's official product recommendation list. Proya's Bubble Mask was such a hit that Tmall featured the mask on its official mask list. Proya's Tmall flagship store sold 200M RMB last Double Eleven.

Douyin



Xiaohongshu



These tactics that leverage customers' viral marketing serendipity are more than admirable; they are borderline genius.

Buyers' journey mapping and experiential design

No other restaurant in China has mapped out the customer experience better than hotpot restaurant chain Haidilao. The brand has created a plethora of experiences that are perfectly designed to surprise and delight customers. For creating these experiences, Haidilao's customers reward the brand with UGC serendipity.

Haidilao brand has gone so far as to introduce items like the "Douyin Style Beef Rice" to its menus, which was originally inspired by a recipe created by a customer and popularized on Douyin. Haidilao now regularly launches DIY recipe challenges that customers can order to create, capture, and share.

A few customer favorites are getting a pedicure while waiting, watching a noodle stretching show, and sitting with a giant stuffed bear when dining alone.

Waiting Area



Solo Customers



Noodle Show



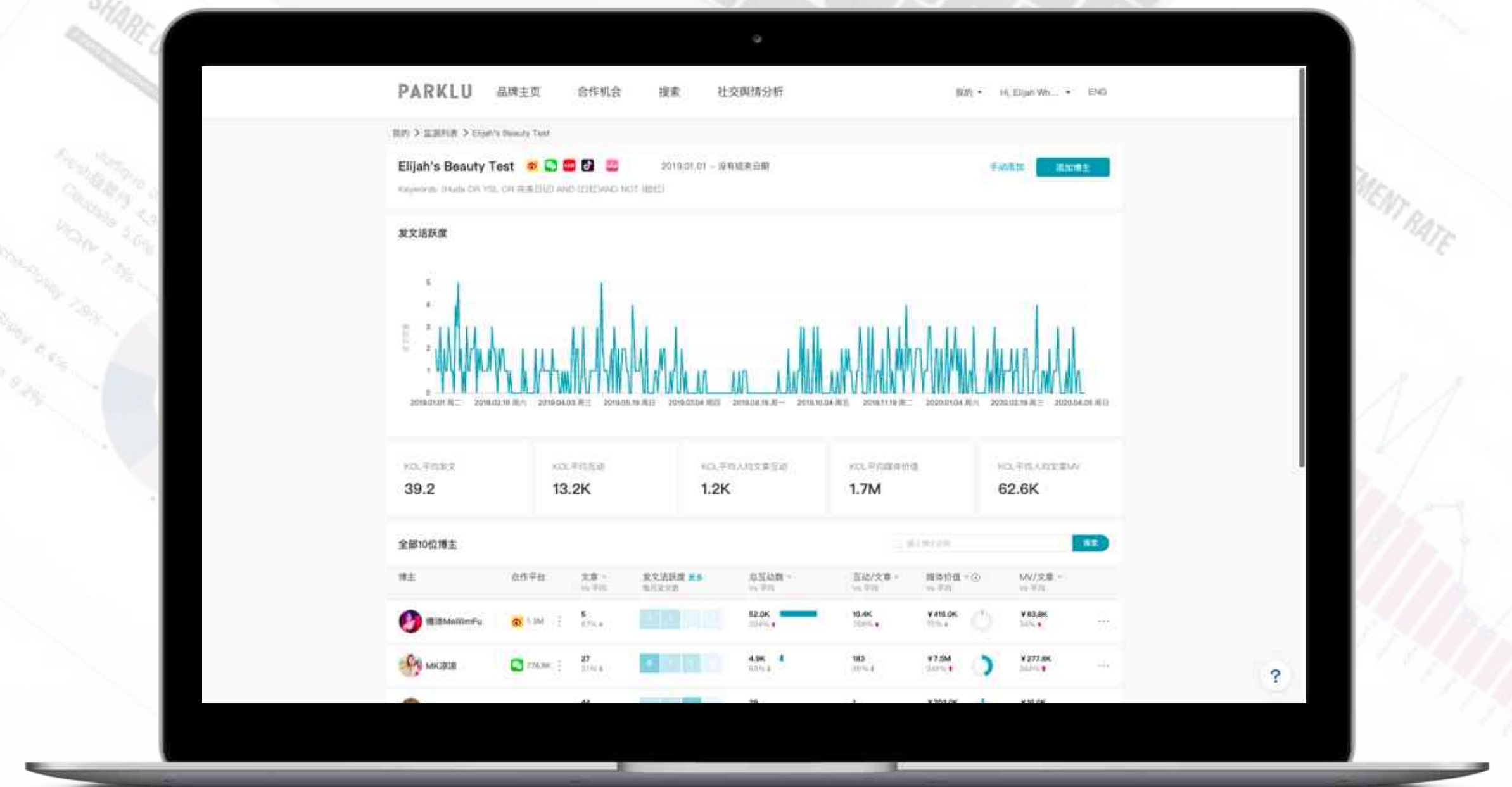
"Douyin DIY"



WE JUST BUILT A NEW KOC RELATIONSHIP MANAGEMENT (KRM) MARTECH SOLUTION TO MONITOR AND COLLABORATE WITH KOC.

WITH OUR NEWLY LAUNCHED FEATURES, BRANDS CAN SEARCH AND UPLOAD THEIR SOCIAL MEDIA ADVOCATES TO TRACK HISTORICAL AND FUTURE ACTIVITY, MANAGE KOC, AND LAUNCH CAMPAIGNS AT SCALE.

PARKLU KRM & ANALYTICS



BRAND
EVENTS

PARKLU

DashboardCampaignSearchAnalyticsBETA

My lists · Hi,Minlen · En

My List > Monitor Campaign

All MonitoringMonitored

Create a Monitoring

输入任务名称查找

查找

博主类型全部

平台全部

博主影响力全部

choose a platform first

Campaign Name	Monitor date	Participation	Activity	Media Value
Shanghai Fashion Week x 波司登 <small>Created by: Bigish@parklu.com 2019.10.22</small>	2019.11.11 no end date	150/300		¥ 62.2M
Nike x 上海马拉松 <small>Bigish@parklu.com 2019.10.22</small>	2019.08.20 2019.11.20	50/120		
Chanel 花开烂漫系列 <small>Bigish@parklu.com 2019.10.22</small>	2018.12.01 2019.12.01	30/50		

我的 > 监测任务 > 博主

Nike x 上海马拉松

Add New Influencer

输入博主名称查找

查找

博主类型全部

平台全部

博主影响力全部

choose a platform first

All PotentialMentionsNo Mentions

TOP 100 KOLs

2019.5.10-2019.11.10 (average /per week)

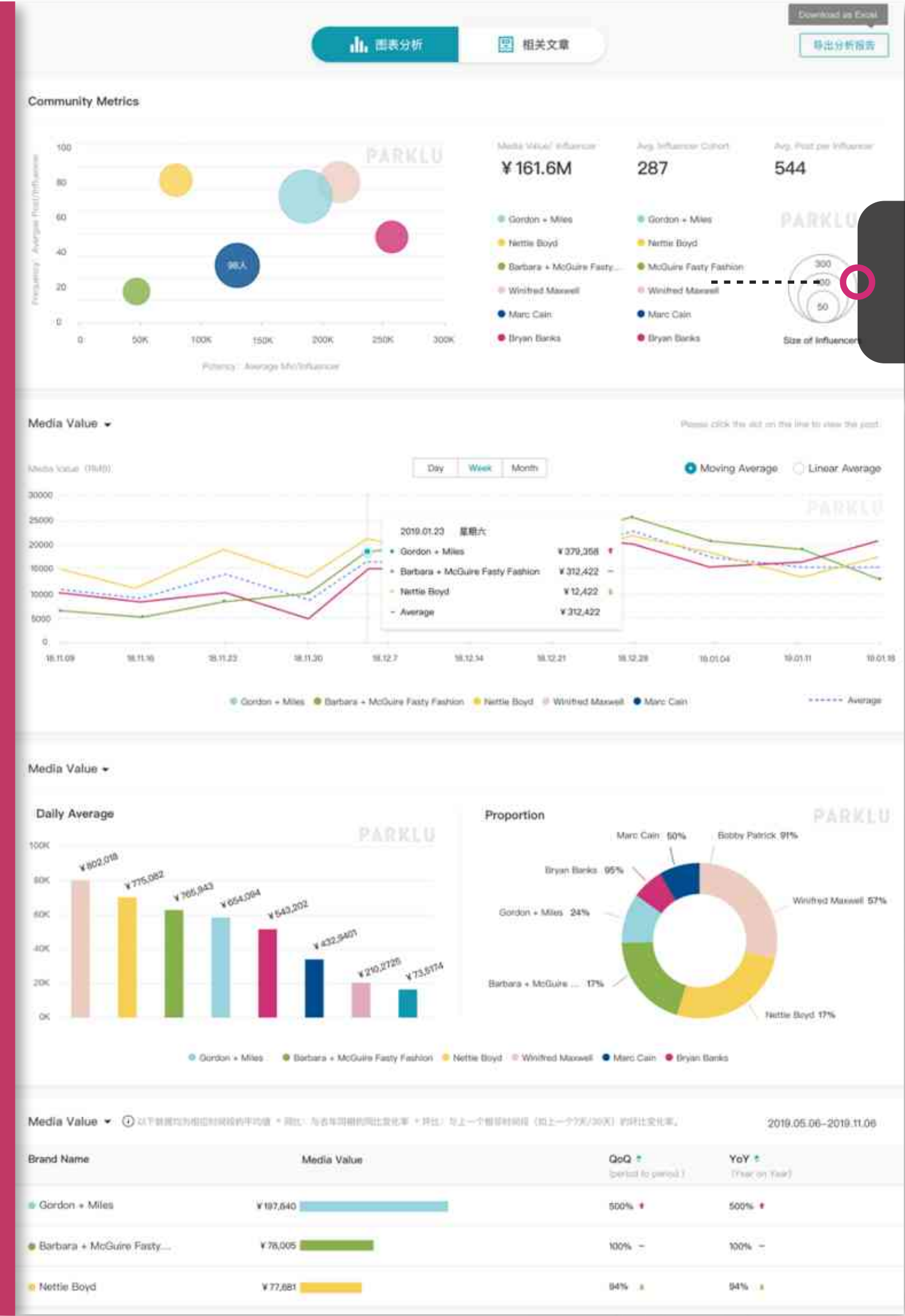
Growth MostReachTop Media VlaueTop Engagement

KOL Rank	KOL Name	Platform	Post Activity in past 4 weeks	Fans	Eng. Rate vs last week	Media Value	Est. sponsored (%)	Peak	Duration ranking	Chart View in past 4 weeks
1	Caleb Simon	2.6M	9 3 6	0 0%	6,273 1%	¥ 5248 1%	26 1%	1	4	
2	Terry Stevens	2.6M	9 4 3	+ 7672 52%	6,273 52%	¥ 2718 52%	92 52%	1	3	
3	Caleb Simon	2.6K	1 7 3 4	- 2673 96%	6,273 96%	¥ 4807 96%	20 96%	3	2	
4	Mark Rodrig...	2.6M	4 3 6	+ 6542 52%	6,273 52%	¥ 6330 52%	37 52%	4	4	

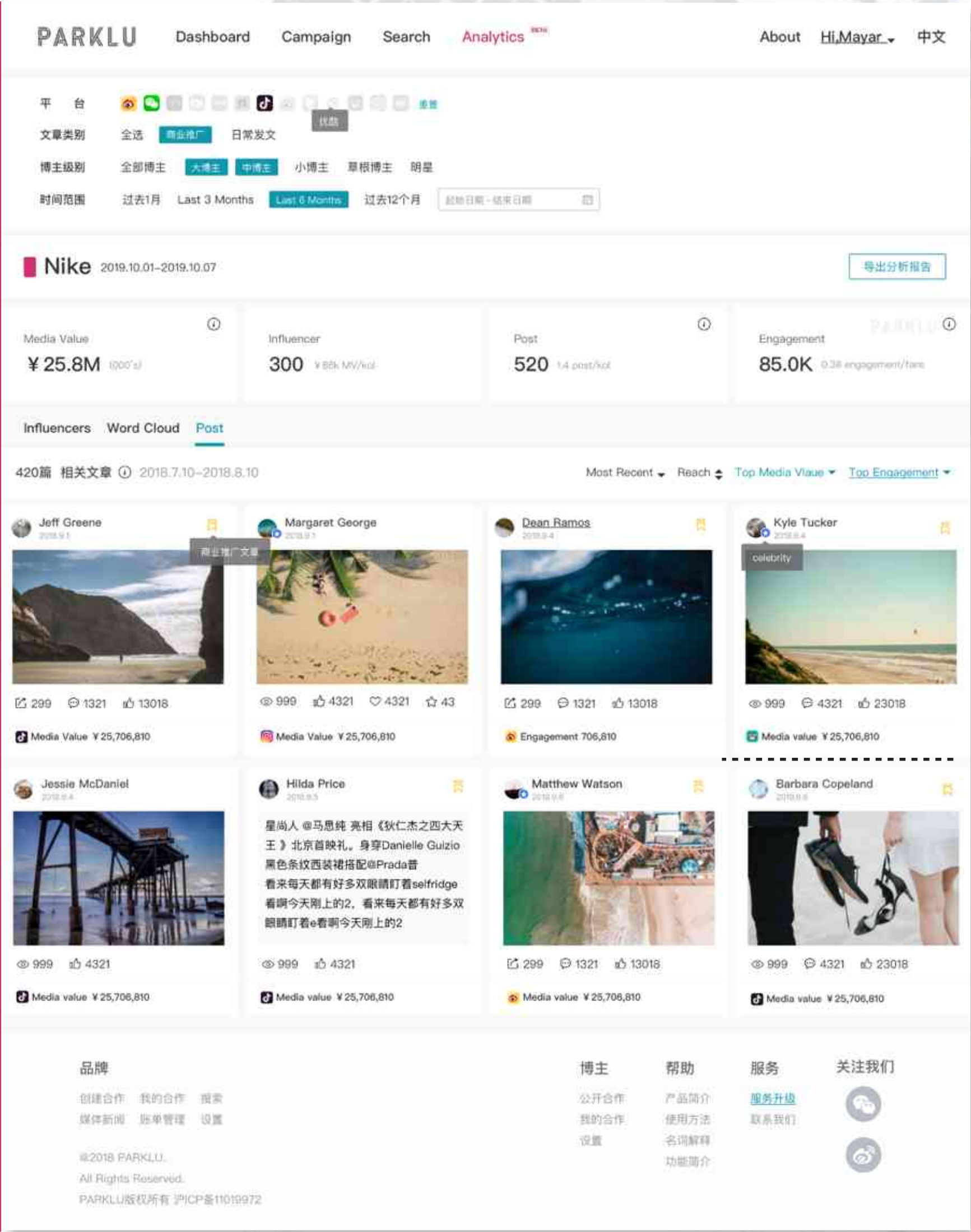
KOC'
MONTHLY
PERFORMANCE

- BETTER BUSINESS INTELLIGENCE
- DISCOVER BRAND KOC
- CUSTOMIZE KOL & KOC RECOMMENDATIONS
- DISCOVER THE HOTTEST KEYWORDS
- CONDUCT IN-DEPTH COMPETITORS ANALYSIS





INDUSTRY ANALYSIS



KOC POST PREVIEWS

WE ALSO LAUNCHED AN ALL NEW APP SO BRANDS CAN DO KOL & KOC MARKETING ANYWHERE ANYTIME

- EASIER ACCESS TO INSIGHTS
- SEARCH ENGINE FOR KOL & KOC
- CHECK PROFILES AND MEDIA KITS
- DIRECT CHAT WITH KOLS & KOC
- FULL DETAIL ANALYTICS

PARKLU

KRM & ANALYTICS

(MOBILE)



FULL
ANALYTICS



KOL & KOC
PROFILES/POSTS



KOL & KOC
SEARCH





MONETIZATION

INCREASING RETENTIONS' VALUE

Abstract

A unique phenomenon is taking place in China as portions of the population enter a post-industrialized work environment. The number of Chinese that are knowingly and unknowingly working in sales is at a scale unseen in other post-industrialized nations. This is a burgeoning Sales Economy.

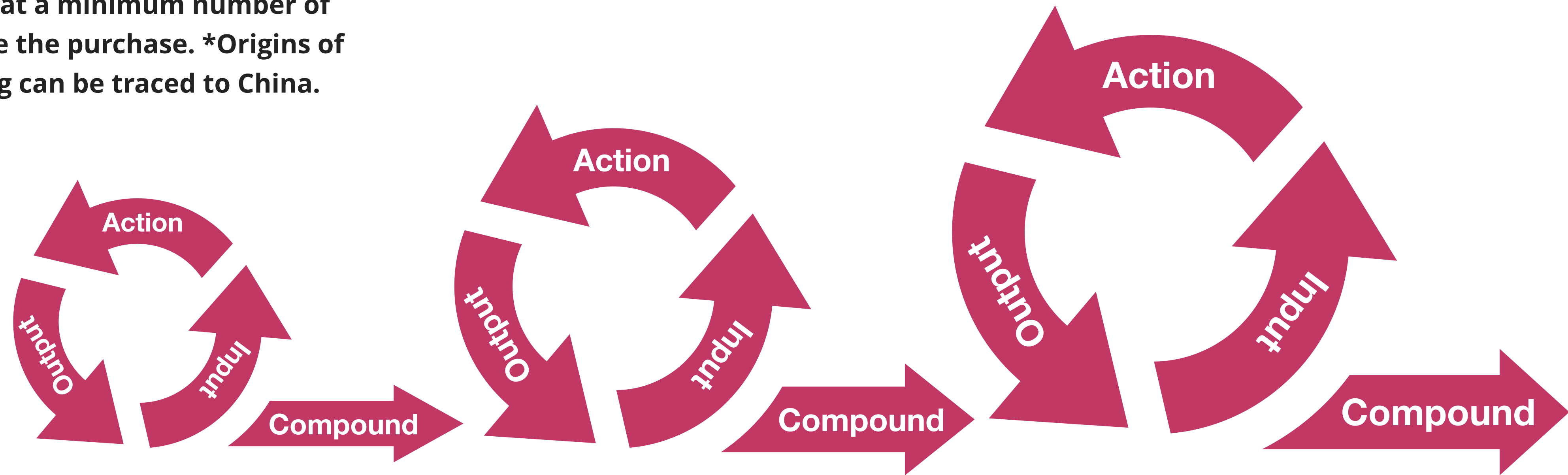
KOLs, livestreamers, and Daigou trade their time and influence for fees and goods, and therefore work in sales. But China's Sales Economy goes far beyond these professionals. New multi-level marketing models have taken hold in China. Group buying is one of the most common examples as Pinduoduo has experienced explosive growth since its launch in 2015. It is now the fifth-largest Internet company in terms of market capitalization after Alibaba, Tencent, Meituan, and JD.com, surpassing Baidu in November 2019. Pinduoduo's group buying business model is reliant on a non-salaried workforce willing to trade their time, influence, and power to assemble customers to access steep discounts. Leading participants of group buying activities financially benefit from convincing others to buy goods, which puts them squarely in the business of sales. It is this type of shift from being passive consumers to the active participants in the sales process that is dramatically changing the dynamics of commerce in China.

Consumption is shifting from ownership to engagement. And social commerce is at the forefront of driving change and improvements in products, brands, and businesses. Social media users are using their collective influence to provide new directions, solutions, and constructive criticism to brands. Brands and retailers should tap into the emerging interest of consumers to co-create and sell the products they want to buy.

**"PRICE IS WHAT YOU PAY.
VALUE IS WHAT YOU GET."
- WARREN BUFFETT**



Definition: Offers products and services at significantly reduced prices on the condition that a minimum number of buyers make the purchase. *Origins of group buying can be traced to China.



Input: A potential customer receive an invite to participate in a group buying opportunity.

Action: The potential customer is compelled to promote the group buying opportunity to their network in an effort to assemble enough people to receive the discount.

Output: The customer invites others to participate in the group buying opportunity.

BIGGER PICTURE STRATEGY BEHIND GROUP BUYING

- What happens when a quasi-MLM e-commerce platform gives away its big data and R&D to partner manufactures and then layers in a free sales force?

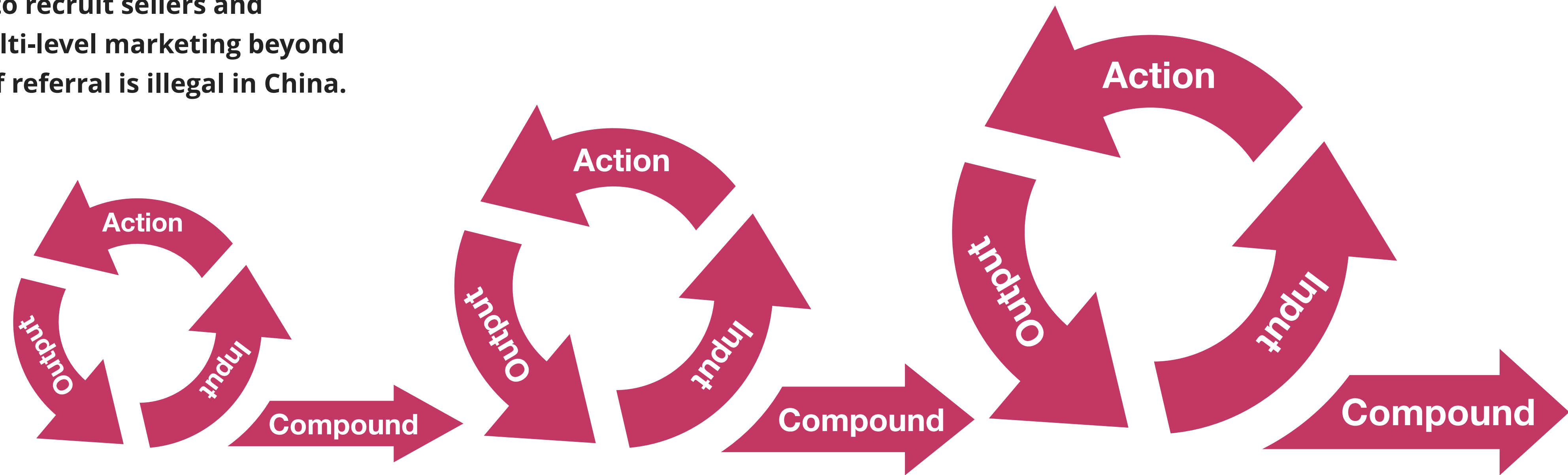
In December 2018, Pinduodou launched the “New Brand Initiative.” The initiative aims to transform 1,000 Original Equipped Manufacturers (OEM) into Original Brand Manufacturers (OBM). Pinduodou is providing participating OEMs with big data analytics on consumers’ needs, comprehensive R&D planning on products, and its non-salaried group buying promotion sales force.

One of the very first OEMs to become an OBM was Jiaweishi. Jiaweishi is a leading manufacture for Honeywell, Whirlpool, Bissell, Philips, and Severin. In the first year, Jiaweishi was able to sell 30 million RMB worth of robot vacuums on Pinduoduo, which made up 60 percent of its domestic sales.

It’s kind of no wonder a startup launched in 2015 is now competing with China’s internet incumbents. Pinduodou has built its business around the single most potent characteristic in Chinese culture - collectivism. Community building through social messaging that targets the core of China’s post-industrializing workforce is propelling this next-gen e-commerce platform into the stratosphere.



Definition: Compensation and commission systems that motivate individuals to recruit sellers and buyers. *Multi-level marketing beyond two levels of referral is illegal in China.



Input: A new customer is referred by another customer.

Action: The new customer is compelled recruit others in an effort to create a downline revenue stream or to receive one-off commission.

Output: The new customer refers other customers.

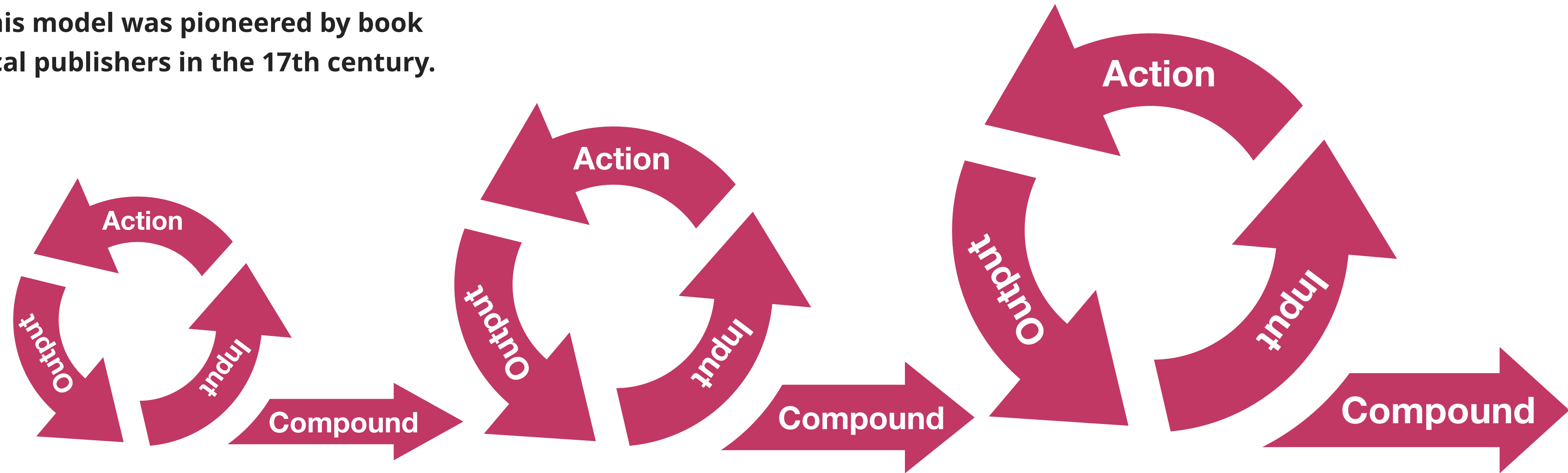
PUSHING THE LIMITS OF REFERRAL MARKETING

Yunji calls itself a “social e-commerce platform.” In application, that means it leverages the social relationships of its users on other social media apps to acquire, engage, and sell to users. Since its inception, Yunji has boasted of its innovative membership-based e-commerce model. To join, users typically pay a fee, upon which they gain access to a variety of benefits and discounts as well as the ability to open a store which they can fill with products offered on the platform. Members then get compensated for successfully selling to others or recruiting new members. A wide range of brands collaborate with Yunji, from P&G, L’Oréal, and Swisse, to unbranded products produced by local Chinese manufacturers.

In 2017, the Chinese government slapped Yunji with a fine for rewarding its members with cash and prizes, which was deemed crossing the pyramid scheme line. The platform now avoids crossing the line by awarding sellers with a virtual currency, which is only redeemable for product purchases. This is the line that almost all brands now take when it comes to referral programs.



Definition: Customers make an advance payment at regular intervals for access to a product. *This model was pioneered by book and periodical publishers in the 17th century.



Input: A loyal customer is mentally invested in future consumption.

Action: The loyal customer is compelled to subscribe assuming they make repeat purchases in the future and would like to access subscription benefits.

Output: The loyal customer subscribes to to access exclusive benefits.

IF ONCE YOU DON'T SUCCEED TRY SUBSCRIPTION AGAIN

In 2013, a host of consumer goods subscription-based businesses launched in China. The vast majority failed. It seems that at the time, Chinese customers were not ready to adopt this service model. Skip forward half a decade, and you'll find that subscription is on the rise. In August 2019, Costco's first store opening was so popular that the store had to shut down. From online content platforms to flowers, Chinese customers are now comfortable with a subscription.

MollyBox is a subscription-based e-commerce cat food provider. In 2019, it's estimated that the company had 200,000 subscribers. Subscribers can choose the food that comes in the cat box, and then various snacks, toys, and daily necessities are added by MollyBox. For the long-term subscriber, MollyBox will fine-tune the contents of the box according to the cat's preferences.

Though 70 percent of MollyBox's revenue comes from subscriptions, the company does have a robust e-commerce store that provides all cat essentials for one-off purchase. Ingeniously, the company also manages a pet MCN and has a full production studio in the head office.



The background features a series of sharp, cone-like structures that resemble a sea urchin or a stylized flower. These structures are highly reflective and iridescent, displaying a spectrum of colors including deep blues, purples, pinks, and greens. The lighting creates bright highlights and deep shadows, giving the scene a three-dimensional, crystalline appearance.

AGILE MANAGEMENT

OPERATING AT THE NEEDS OF RETENTION

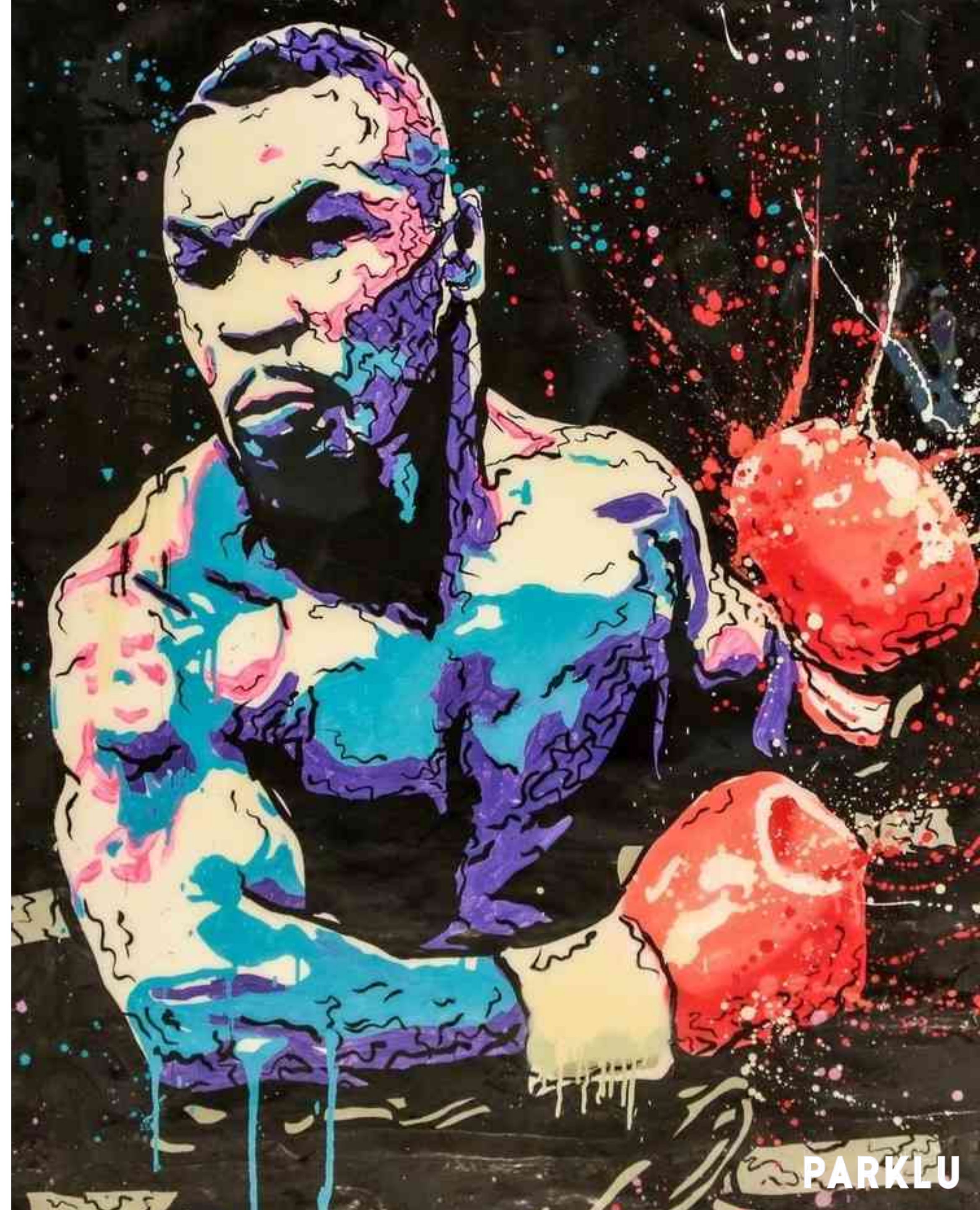


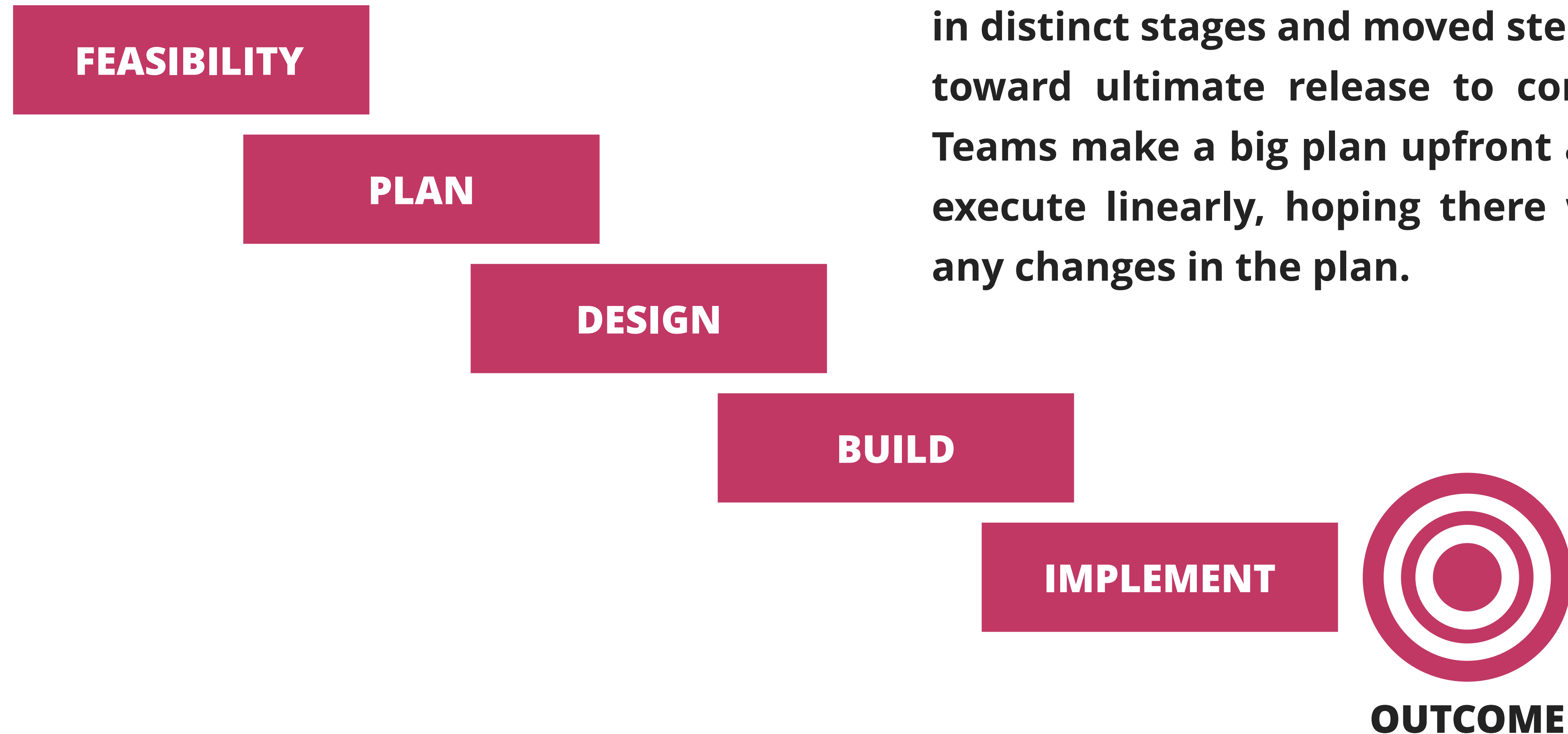
In many cases, management should shift from a classic **command-and-control bureaucracy** and **"waterfall" operating approach** to an **"agile" philosophy**. The Agile philosophy can aid in the complexities of adopting and managing retention systems and practices.

The goal of retaining more customers will be a moving target with frequently shifting requirements at the individual customer level, which makes an agile approach most suitable. This method will enable teams and individuals to innovate and operate at the speed of consumers' needs. It will also create highly engaged, highly empowered teams and individuals.

OPERATING PHILOSOPHY

**"EVERYONE HAS A PLAN,
UNTIL THEY GET PUNCHED
IN THE MOUTH."
- MIKE TYSON**





Waterfall is a project management approach where a project is completed in distinct stages and moved step by step toward ultimate release to consumers. Teams make a big plan upfront and then execute linearly, hoping there won't be any changes in the plan.

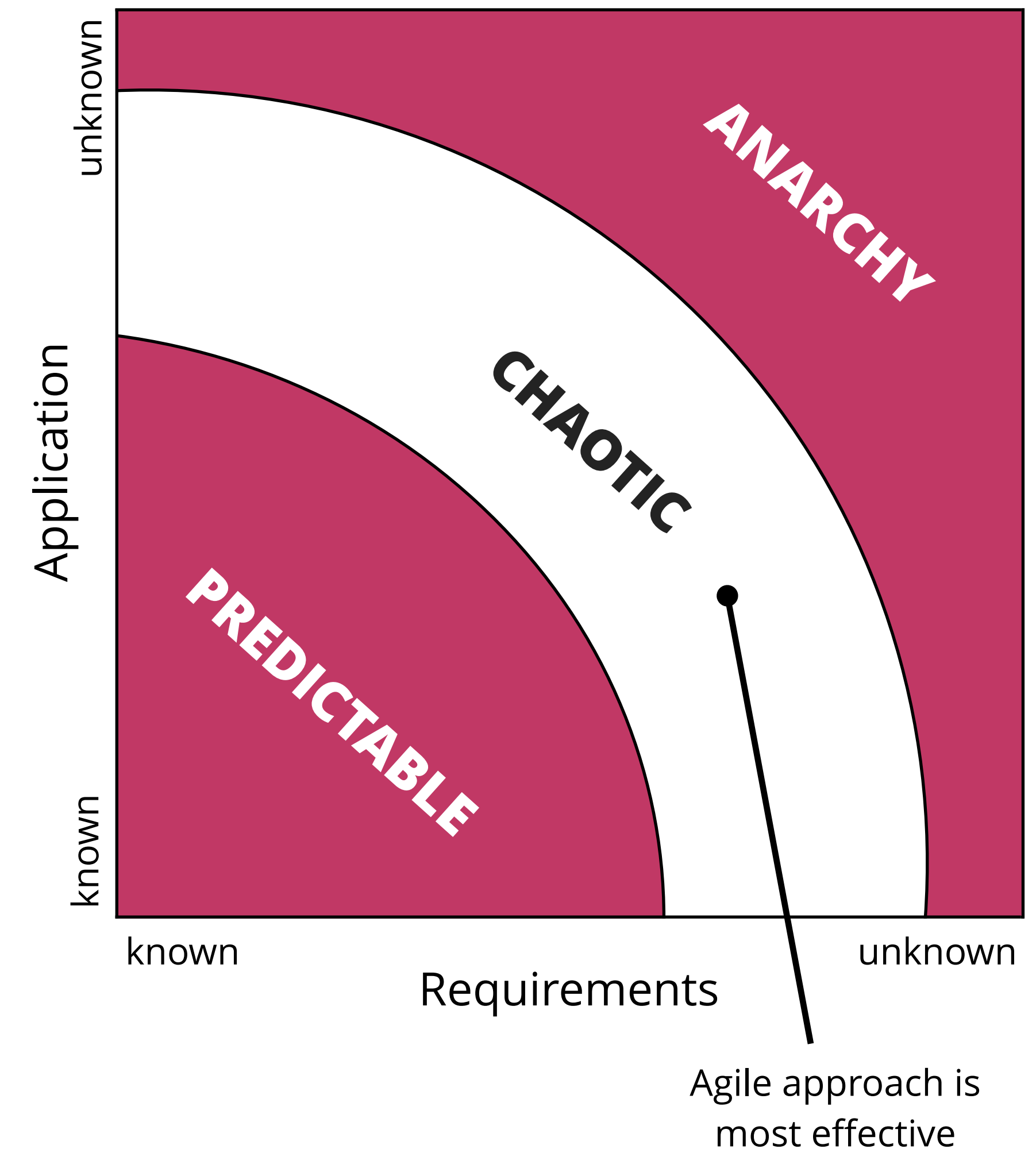
Agile was designed out of a real need: to support work that tends to be inherently “chaotic”. Agile is best suited to work settings or projects where both the requirements and the underlying application are frequently changing. There is nothing more inherently chaotic than the needs of customers.

WHAT IS AGILE ALL ABOUT?

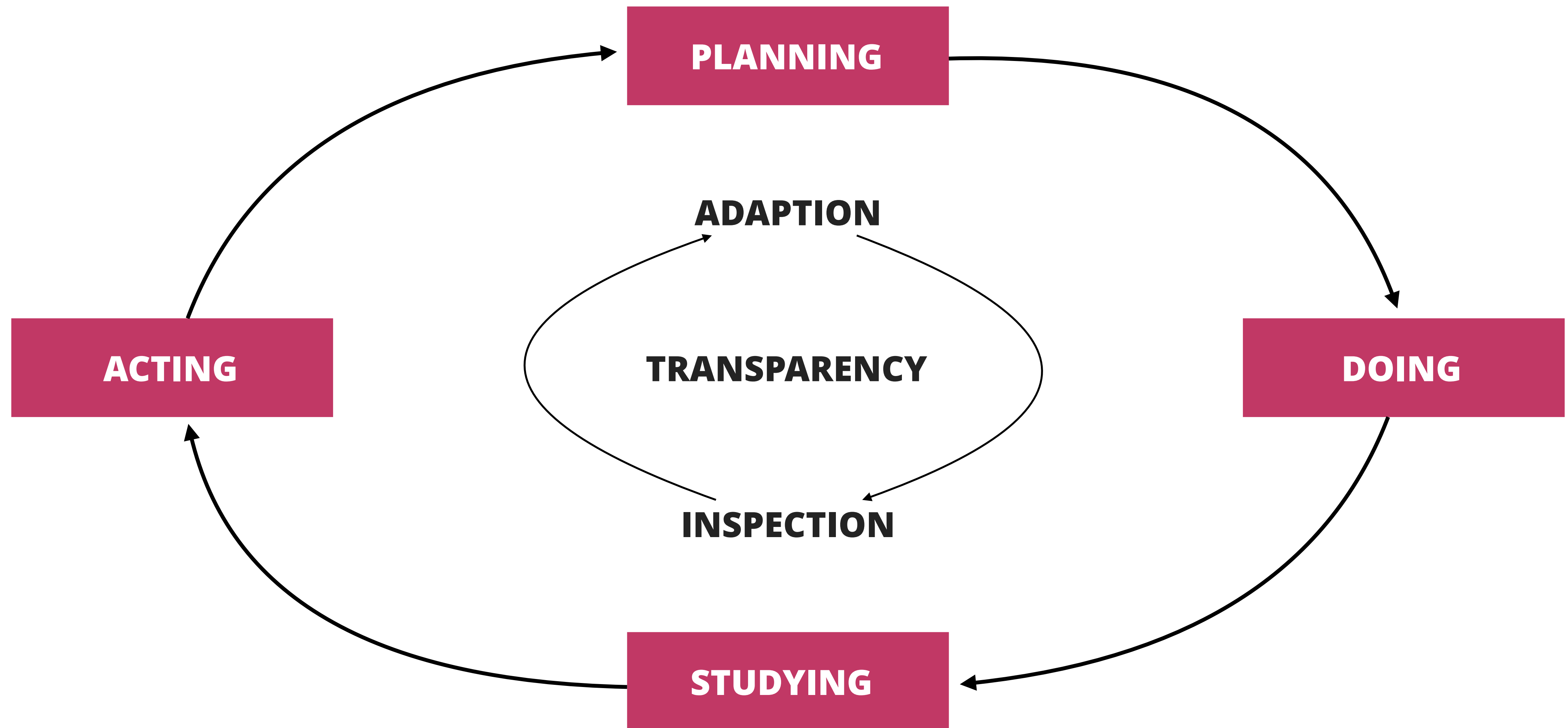
Agile is underpinned by empiricism - the 18th-century theory that all knowledge is derived from experience. Moreover, decisions should be made on what is known.

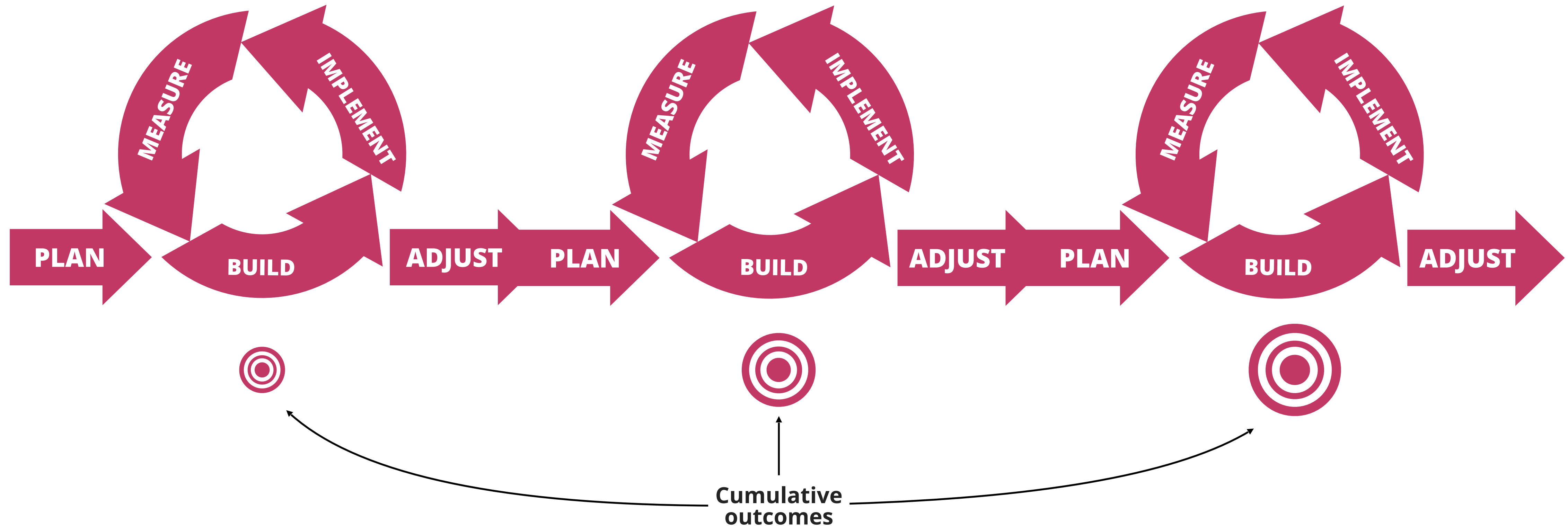
The agile approach assumes that we know the least about a customer at the start simply because their needs are highly dynamic.

Because of this, an agile approach places a premium on **doing, learning,** and **adapting. Planning becomes iterative** and is always informed by real learnings and experience.



KNOWLEDGE IS DERIVED FROM EXPERIENCE



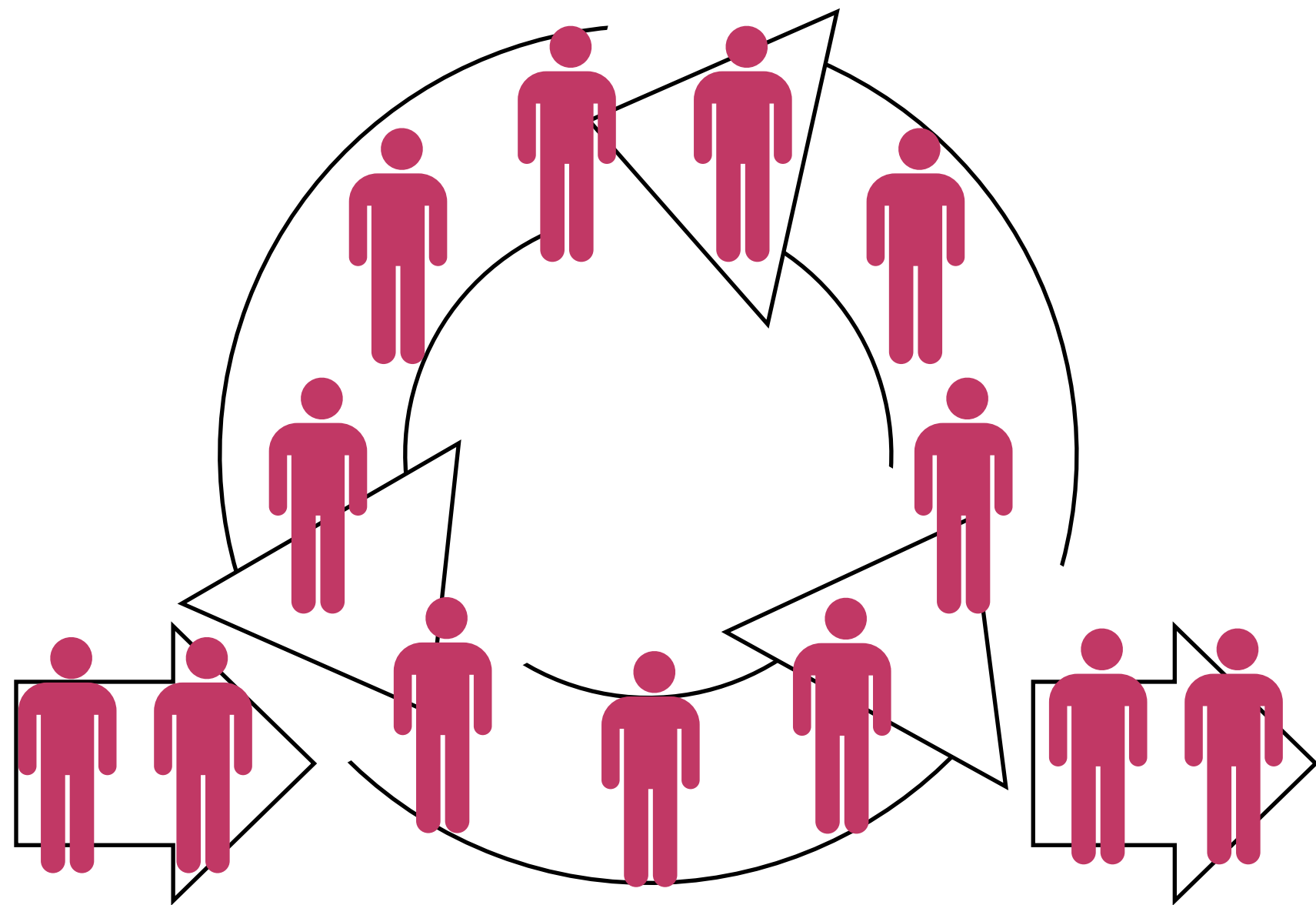


Agile is simultaneous, iterative, and incremental in its approach

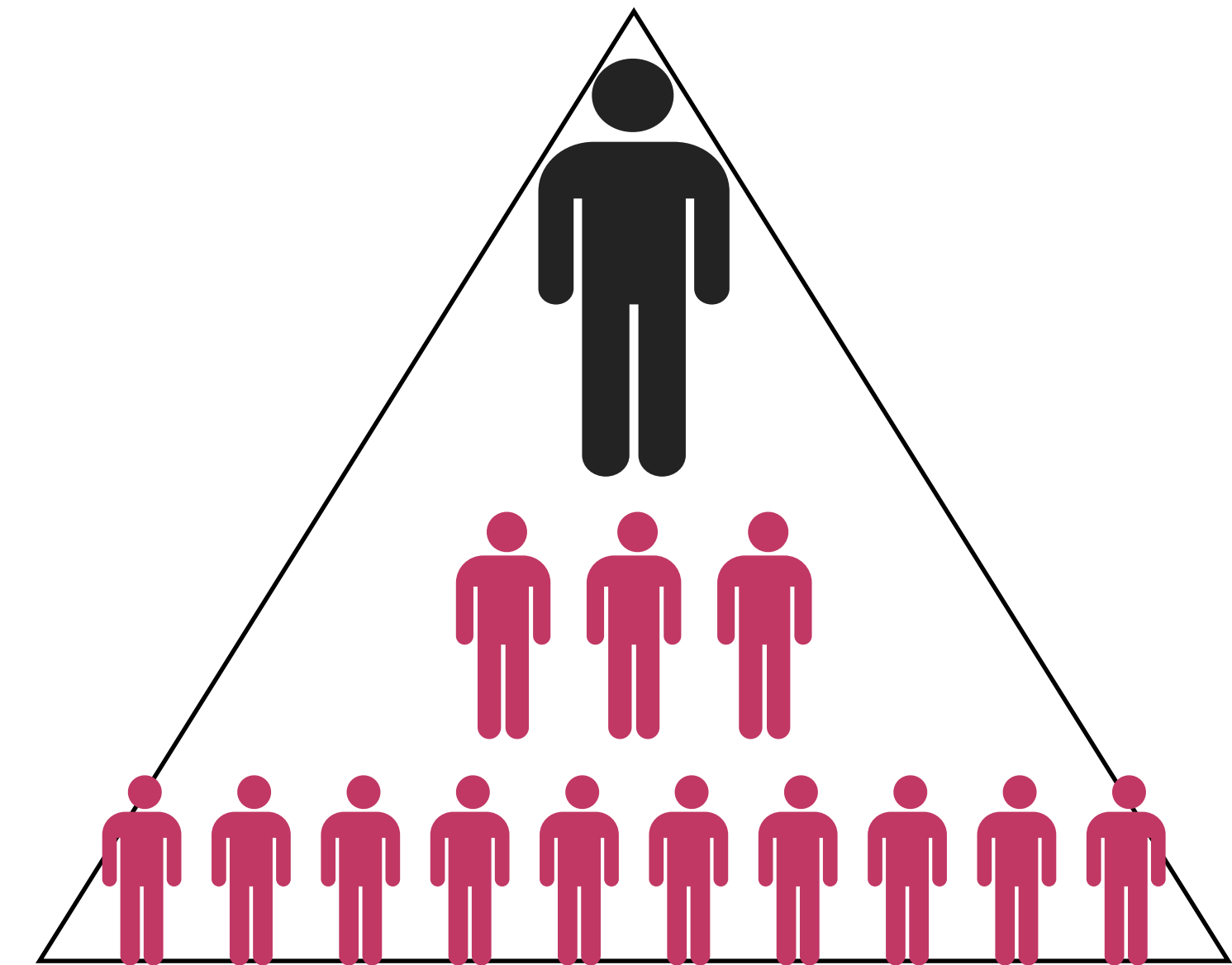
Agile provides two obvious benefits:

- 1. Smarter Faster.** We start getting value early and often in the process, both in knowledge and intangible value to customers.
- 2. Less Risk.** We minimize the risk that's inherent in a waterfall approach. In the waterfall approach, we spend all the time/resources *before* knowing if the output will be successful.

PEOPLE WHO DO THE WORK (CLOSEST TO CUSTOMERS) SOLVE PROBLEMS



VS



Agile Empowers Self-organizing Teams

- ▶ We can draw out latent potential in people by giving them a real chance to contribute and perform.



Hierarchy & Control Systems Restrict Action

- ▶ Leaders typically don't know the granular details or tools/systems because they don't do the actual work

SELF-ORGANIZING TEAMS FIND THEIR OWN WORK AND MANAGE THE ASSOCIATED RESPONSIBILITIES AND TIMELINES

SELF-ORGANIZING TEAMS' OWNERSHIP OF ACTING, MEASURING, AND ADJUSTING ARE THE KEYS TO PROGRESS

THE 4 AGILE VALUES

Individuals and interactions over hierarchy and systems

Doing the work over comprehensive documentation

Customer collaboration over corporate procedures

Responding to change over following a plan

THE 10 AGILE PRINCIPLES

1. The highest priority is to satisfy the customer.
2. Welcome change. Agile processes harness change for the customer's advantage.
3. Everyone must work together to succeed.
4. The most motivated individuals should lead. Then, they should be given the freedom, support, and trust needed to get the job done.
5. The most efficient and effective method of conveying information is face-to-face conversations.
6. Agile processes promote sustainable progress towards goals.
7. Continuous attention to excellence enhances agility and quality of outcomes.
8. Simplicity--the art of maximizing the amount of work not done--is essential.
9. The best plans, requirements, and work emerge from self-organizing teams.
10. At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behavior accordingly.



GRACIE ZHOU

VP OF SALES

T: +86 151 2107 2812

GRACIE@PARKLU.COM



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► www.parklu.com



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KRM & ANALYTICS