



Serial studies of "Future of Consumer" II
Big data-driven consumer insights

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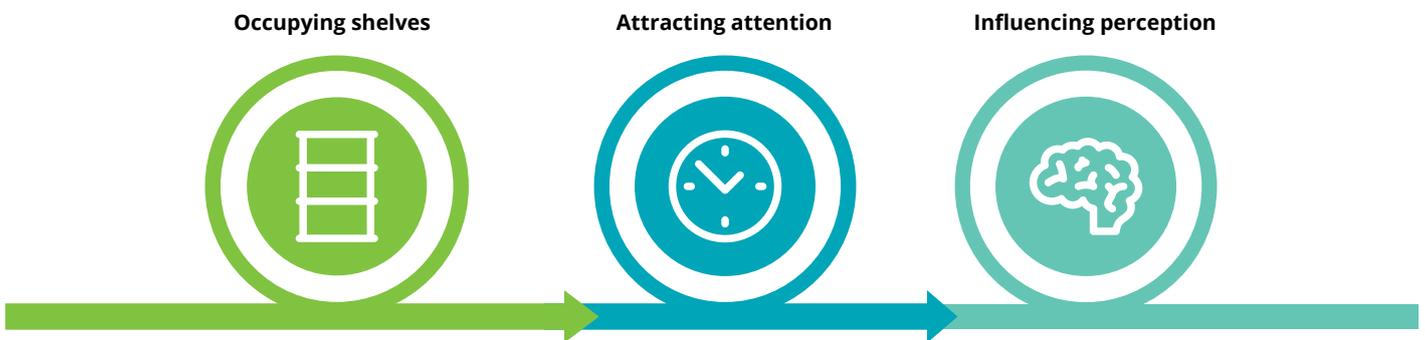
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Chapter I "Consumer-centered" strategies

Companies in consumer and retail sectors have been known to mainly compete through controlling channels and occupying shelves, in order to gain market share. With the arrival of the new retail era, consumers' time along the shopping journey is segmented and exposed to various information touchpoints, which drives companies to explore new approaches to attract

consumers' attention, shifting away from traditional shelf competition. As consumers' time-spend along the shopping journey is adding another dimension on top of market share, leading players are starting to study how to deeply understand and influence consumers' perception with newly developed "consumer-centered" strategies. Additionally, consumers'

higher awareness of their shopping preference enables brand and retail players to transform from "brand and product-centered" approaches to the "consumer-centered" strategies, moving away from competing for shelves to attracting consumers' attention and influencing consumers' perception.



However, it is not easy to put the "consumer-centered" idea into practice nowadays. Most brands and retail players do not understand end users as well as their direct customers, which are still dealers, wholesalers and retailers. To implement consumer-centered strategies, companies should create unique core relationship with consumers and build strong ties with the value of the end users. Nowadays,

Consumers' focus and attention have gradually shifted from price, taste and convenience to brands' story, social responsibility and value proposition, including product safety, healthiness, social impact and relevant shopping experience. Over 50% of consumers are emphasizing more on a brand's high-level value proposition than to traditional brand value; 60% are willing to pay a premium for products

with positive social impact. Therefore, the key to attracting consumers is to constantly create new value for them to buy-in in addition to meeting their traditional demand.

Core of consumer relationships—value relevance



To develop "consumer-centered" strategies, companies need to have a comprehensive and in-depth understanding of consumers, including their demography, social status, preference and behaviors, as well as the underlying psychological factors. Moreover, brands should keep track of the changing needs of consumers to take relevant actions in real-time and quickly respond with appropriate strategies, as the consumer needs changes can be frequent and sometimes unpredictable in this era.

Traditional consumer research usually collects information through questionnaires or focus groups. Although typical, these methods are increasingly questioned in terms of effectiveness and applicability, especially when it comes to key issues of concern for today's brands and retailers:

01. How to identify core and potential consumers? Traditional research cannot obtain a deep understanding of consumers, due to time and space limits. Most brands have to face and cope with a practical challenge for consumer research: how to distinguish target audience, population interested and actual purchasers? It has been a painstaking problem especially for medium- and high-end brands. Are people doing focus group survey for the sake of cash gifts the real target population? Can preference answers in questionnaires truly reflect respondents' daily shopping habits? In addition, it is difficult to distinguish population interested and actual purchasers through traditional methods. Between a college student longing for luxuries and a frequent luxury purchaser, there might be no big difference in the contribution of views, reposts and likes to product advertisements, as well as product searching. Therefore all brands

need to develop better ways precisely identify core consumers and potential groups.

02. How to have a good knowledge of consumers' preference?

Traditional surveys and interviews usually focus on a specific period, thus do not serve as good and comprehensive indicators for consumer preference. The findings from these approaches does not effectively reflect the actual situation in a timely fashion, against the rapid changing consumer preference. For example, a survey targeted to a high-end consumer group overturned our tradition knowledge of this type of consumers. Instead of favoring programs such as finance and politics as we had originally expected, this group of population actually prefers funny videos and binge-watch TV hits. Therefore, comprehensive knowledge about target consumers is the basis for companies to make effective consumer strategies.

03. How to understand consumers' experience expectation?

In the era of new retail, what consumers expect has extended from product functions to shopping experiences. Such experiences often originate

from consumers' daily life and their subconscious expectation and needs throughout their shopping journeys. For example, online shopping experiences are often influenced by the convenience of accessing channels and platforms, web viewing smoothness, logistics timeliness and payment diversity and convenience, etc. However, traditional research usually focuses on the action of purchasing or payment only and do not effectively track the consumers throughout the shopping journey. It prevents companies from understanding consumers' experience expectation in depth.

Under the new retail era, brand and retail companies' development of effective "consumer-centered" strategies should be based on accurate, timely and comprehensive consumer insights. To achieve this goal, companies need to leverage big data-based approaches such as social listening to collect and analyze internal and external information. In this way, brands will be able to obtain comprehensive consumer profiles and to drive deep understanding of the consumer journey, which will further facilitate the development of reasonable business strategies.



Chapter II Big data-driven consumer insights

With years of experience in digitalization, new retail as well as big data development and application, Deloitte is committed to helping consumer and retail players combine internal CRM or marketing information and external data from e-commerce and social media platforms to obtain a better understanding of consumers profile, preference, shopping behavior and their unmet needs. Besides, Deloitte's "Future Consumer" Lab can assist companies in transferring consumer insights into practical strategies and action plans aligning to consumers' needs.

Compared with traditional research, big data-driven consumer insights stand out with the following advantages:

- **Authenticity:** Accurately reflect consumers' shopping behaviors and preference and provide clear description about the profiles, mindsets and shopping journeys of different types of consumers;
- **Comprehensiveness:** Surpass the time and space limits of traditional research and provide comprehensive information on consumers' profiles, preference and shopping journeys;
- **Timeliness:** Track consumer behaviors in a real-time manner to catch up with market changes or prepare for the future based on forward-looking insights.

Big data-driven consumer insights can be applied by brand and retail companies in different scenarios.

Such insights can help companies improve value proposition and product design, identify consumers' pain points throughout the shopping journey to optimize shopping experience, and build new business model to meet consumers' high-level needs.

China's consumer and retail market is dominated by the trend of medium- and high-end brands increasing investment to attract consumers in lower-tier cities. Mainly active in tier-one and tier-two cities, most of these brands have limited knowledge about consumers in lower-tier cities, and cannot gain a deep understanding of this consumer population through traditional research methods. In the case of assisting a brand to go to lower-tier cities, we leveraged big data analysis to classify and profile consumers in these cities and analyze the habits, values and shopping preference of each group, providing insights for the brand to produce effective strategies for business development in lower-tier cities.

In this case, we analyzed data from major e-commerce and social media platforms and identified dramatic difference between consumers in lower-tier cities and those in higher-tier cities in terms of demographic distribution, shopping preference and interests. For instance, young male are taking a much higher share among the consumers in lower-tier cities than those in tier-one and tier-two cities. Young men under 30 years old

make the major consumer group in lower-tier cities. Most of them have low academic qualifications and are newly married or in a relationship. In tier-one and tier-two cities, the major consumer group consists of married population aged above 30 with high academic qualifications. As for shopping preference, consumers in lower-tier cities prefer well-established brands, while consumers in higher-tier cities are more inclined to buy products of niche brands. In addition, people in tier-one and tier-two cities are featured with interest diversity. By contrast, consumers in lower-tier cities usually share a few interests, which suggests that they are often influenced by people they know and main information channels.

Based on deep data analysis, we classify consumers in lower-tier cities into different groups with respective features, including Smart youth (they are enthusiastic about popular digital products, entertainment activities and sports); Trendy fashion ladies (they are interested in and willing to pay high price for trendy clothing and luxuries); and Business professional (they love travelling and food, and consider travelling with families as the most important leisure activity). As strategies targeting tier-one and tier-two market will not work for these consumers, companies should design specific products, service experience and advertising plans according to different preference and interests of people in lower-tier cities.

	<p>Smart youth</p> <p>Longing for exquisite life, this moderate-income population tend to buy affordable luxury products and have passion for keeping fit and entertainment.</p>	 <p>Trendy fashion ladies</p> <p>This group of people are financially abundant, and have a taste for medium- and high-end brands and flamboyant designs. They are enthusiastic about makeup, and care about the effect of beauty service. They believe matching and style are also important.</p>	 <p>Business professional</p> <p>This population are social butterflies who love dancing, exhibitions and parties. They favor products of elegant, simple and practical design.</p>
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As consumers start to emphasize more on overall shopping experience along their shopping journeys, more and more consumer and retail companies begin to consider how to redesign and improve consumer journey. We helped a Chinese retail to successfully analyze the consumer journey and identify the unmet consumer needs, based on which we designed specific action plans for this client.

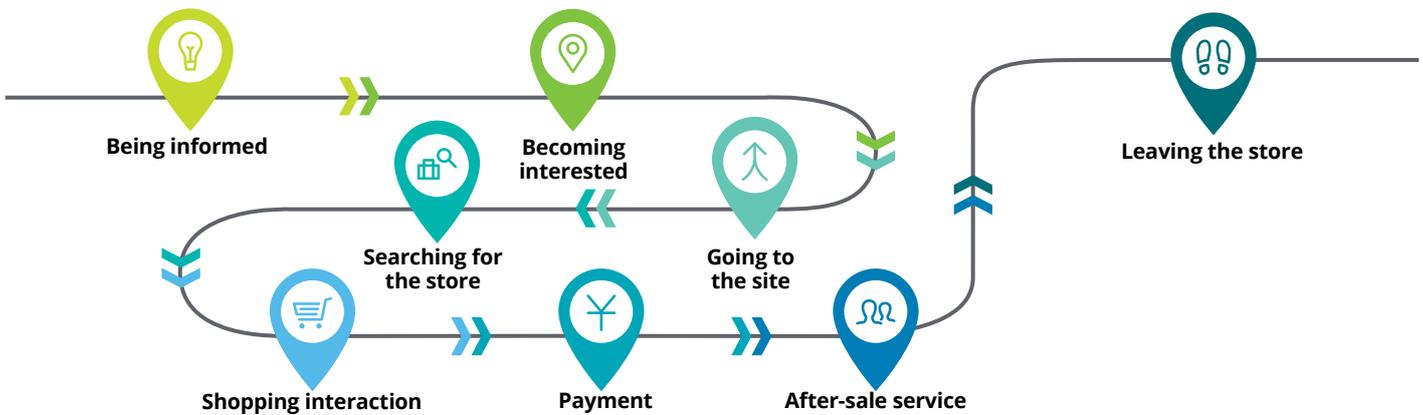
Specifically speaking, we divided consumer journey into eight phases including being informed, becoming interested, going to the site, searching for the store, shopping interaction, payment, after-sale service and leaving the store. Our research analyzed the key characteristics of different consumer segments at each phase, identified pain points of interaction between consumers and the brand, proposed

scenarios to be transformed innovatively, helping brands create different and desirable shopping experience for each consumer segments.

Self-owned brands, for instance, will understand the pain points of interaction with the targeted consumers as well as necessary innovative scenarios to meet consumers' unsatisfied needs, by leverage our research regarding critical phases of consumption journey including being informed, purchasing and after-sale service. For instance, during the being informed phase, brands will not be able to obtain a clear understanding of market demand or realize effective product positioning, if the consumers lacks access to product information and brands fail to identify the target consumers. Additionally, during the shopping phase, consumers are usually disappointed with the "one-

solution-for-all" online delivery and offline payment as well as disconnection between online and offline credits. Finally, vaguely-defined after-sale service and unavailability of online customer service are reasons to drive consumers away.

Based on the identified pain points, we helped companies develop various innovative solutions to meeting consumers' requirements for shopping experience, such as developing innovative proprietary products, redesigning the self-owned brand images, launching omni-channel membership ecosystem, and building online-offline integrated customer service and payment systems. Simultaneously, we transformed these initiatives into feasible action plans, which can be implemented by relevant functions in practice.



Apart from the consumer profile and shopping journey analysis, the applications of consumer insights also cover the following topics:

- Consumer trend analysis:** Consumer trend analysis monitors the changing needs of target consumers of different brands and product categories in a real-time manner, indicating consumers' preference, attitude and pain points concerning specific brands and products. It enables companies to adapt to the trend of market segments and even map effective strategies against potential challenges based on accurate predictions.

- Marketing campaign assessment:** The evaluation of marketing activities integrates profile and preference data about different consumer groups to shed light on elements pre-, in- and post campaigns, including content design, assessment by online influencers/KOLs and follow-up actions. Companies can review marketing effectiveness and efficiencies through such evaluation on a timely basis and adjust marketing strategies promptly.
- Brand social tracking:** Such activities tracks the performance of brands and products on major e-commerce and social media platforms, analyzing brands'

visibility, emotional interaction with consumers, and advantages/ disadvantages compared with competitors. They help companies analyse the social performance at both the brand and the project level.

Big data-driven consumer insights provide accurate, timely and comprehensive information covering consumers' profile, preference, and behaviors as well as consumer journey with advanced research methods. Such insights are essential for companies to develop customer-centered strategies against the intensive competition and innovation trend in new retail era.

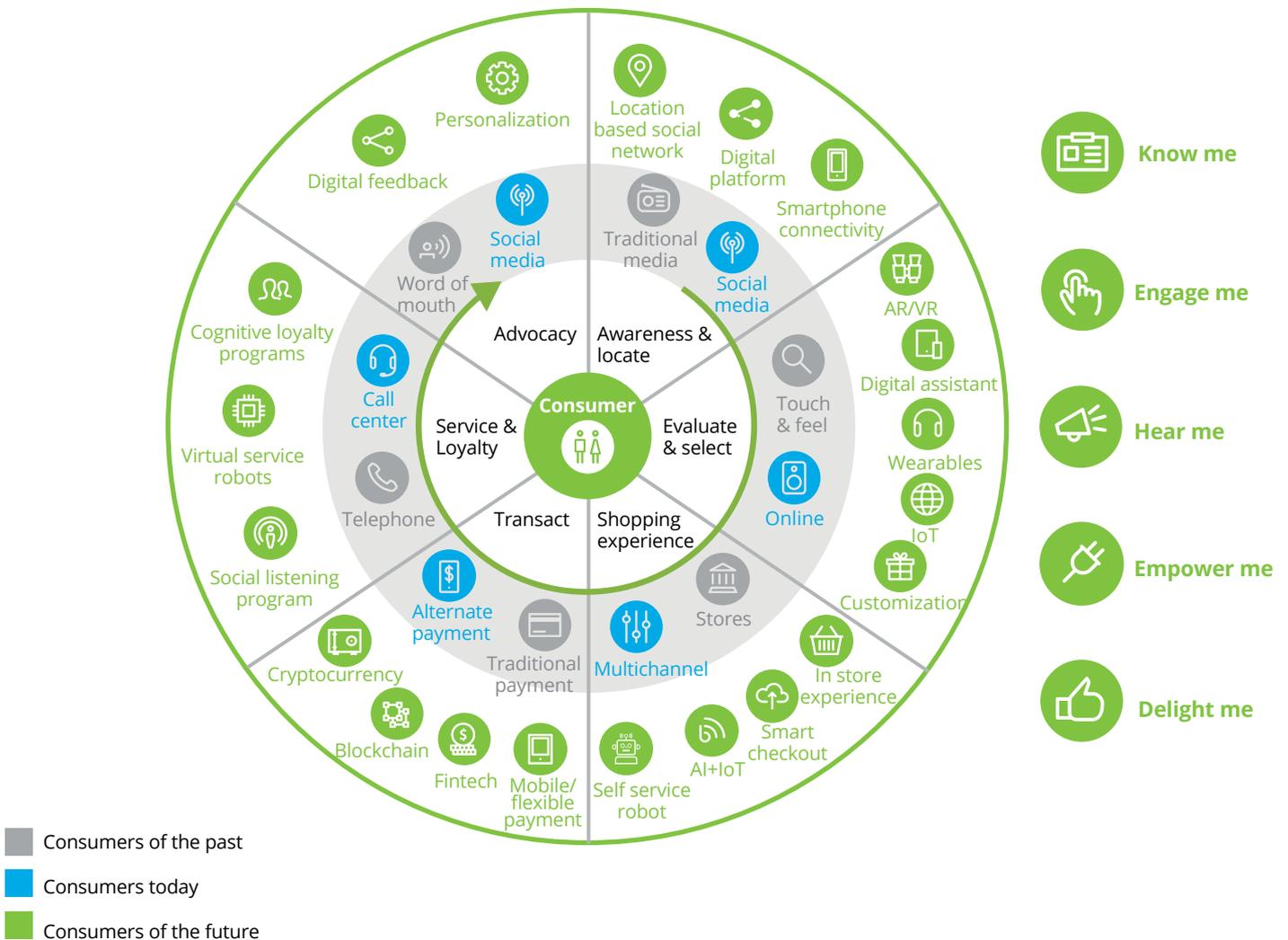
Chapter III Establishment of future consumer value chain

Changing consumer segments, evolving consumer preferences and iterative consumption technologies are driving constant self-disruption of the consumer and retail industry. Brands could satisfy the demands of most consumers with the aid of

traditional media, offline stores and payment methods. However, nowadays omni-channel development and online/social media engagement have become the new routine within the sector. Companies need to do more to impress future consumers. Consumers

of the future will not only want high-quality commodities or services, but also expect brands with "soul"—such brands should know me, hear me, engage me, empower me and delight me.

Consumer of the future



The competition among brands has become multi-dimensional. Brands have to keep up with the change of consumers, competition pattern as well as the evolution of digital ecosystem, and actively build end-to-end consumer value chain, to truly embrace the "consumer-centered" strategy. To develop the value chain for consumers of the future, brands should focus on improving consumer experience along following five aspects. Undoubtedly, big data-driven consumer insights will become the most important step for brands to go through the whole process from comprehensive insights to strategic design and execution.

01.Store experience: Redesign future store experience based on innovative design thoughts and disruptive retailing elements reorganization, providing unforgettable and valuable shopping experience for consumers.

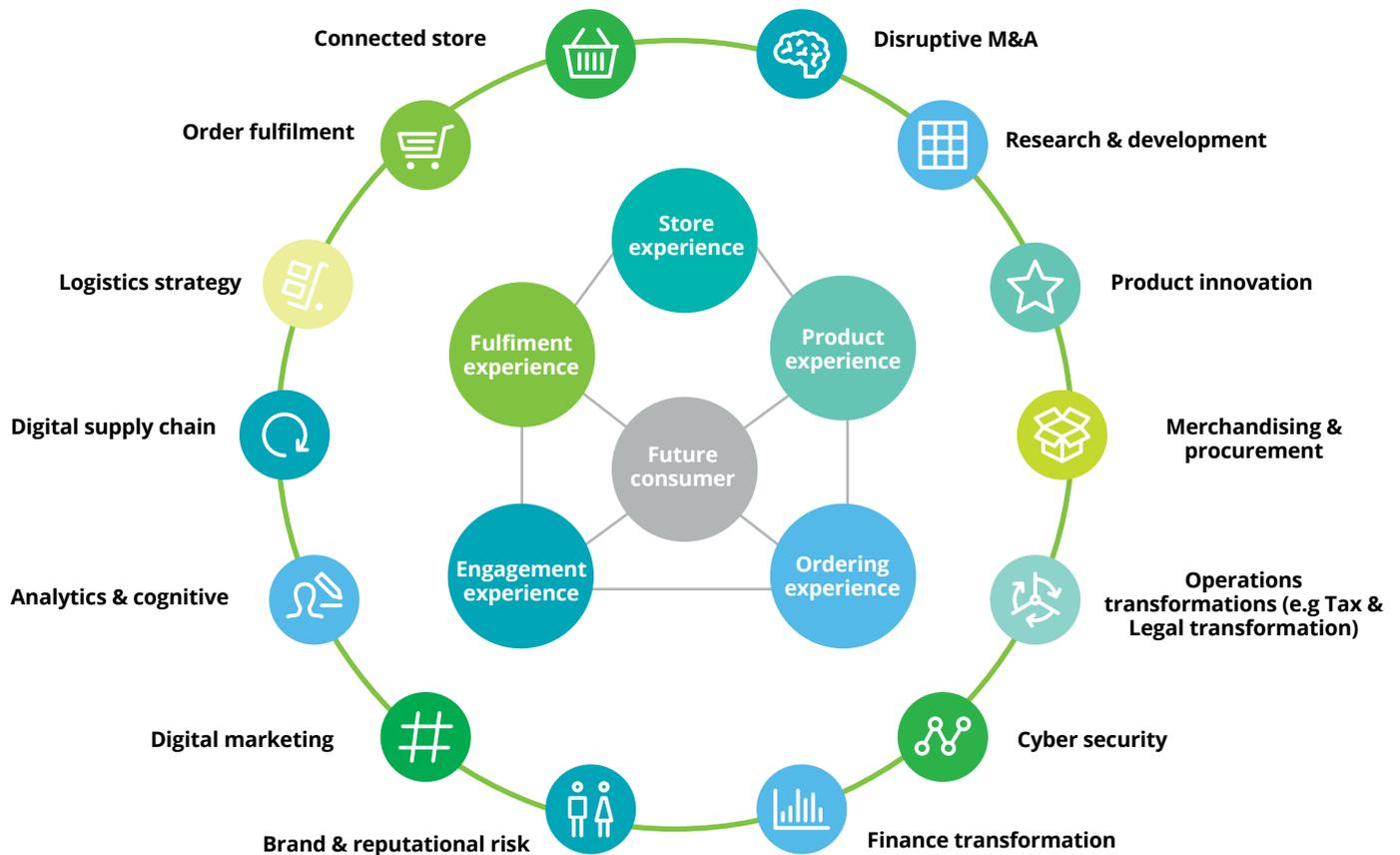
02.Product experience: Provide customized products and services according to multi-dimensional information reflected by internal and external big data, to meet in-depth demands of consumers and reshape consumers' product and service experience.

03.Ordering experience: Adopt intelligent means and digital services to make back-office operation more effective and seamlessly engage with front-office sales, offering consumers convenient and secure ordering experience.

04.Fulfillment experience: Improve supply chain efficiency and intelligence degree to enhance time-effectiveness and accuracy and create personalized fulfillment experience.

05.Engagement experience: Identify the most effective touch point and provide targeted content by analyzing consumer portrait, consumer preference and consumption journey, integrating engagement into consumers' daily life seamlessly.

Deloitte future of consumer solutions



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