

2022 Advantage China O2O Channel Industry Insight

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- In 2022, we launched the **Advantage O2O Channel Business Relationship** industry research project, which collaborates with **Alibaba Close Field Retail (Eleme and Taoxianda)**, **Meituan** and **JDDJ**.
- The project continuously monitors and provides feedback on the **cooperation** of both parties through the **mutual evaluation mechanism** between the platform and the brands. This helps both parties **identify advantages and opportunities** and indicates the industry's latest development trends.

2022 O2O Channel Business Relationship Research Project Platforms and Brands Matrix (Partial)



Source:

Approximately 70 leading brands from 10 core categories
Platform personnel includes several functions such as front office,
middle office, marketing etc.

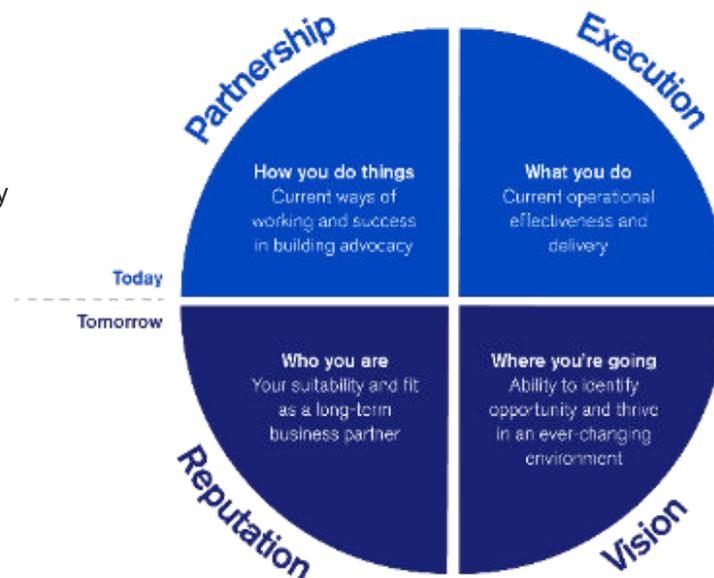
O2O Channel Engagement Drivers and Competencies:

6 Competencies

1. Has a collaborative business planning process
2. Supports our strategic goals
3. Provides appropriate trade and media investment
4. Communicates effectively
5. Customizes initiatives to help us differentiate our business
6. Regional team setting and coordination ability

3 Competencies

1. Builds trust
2. Has a specialized O2O team, and people who are capable and experienced
3. Demonstrates cross-functional alignment across their business (e.g., KA, O2O, category management etc.)



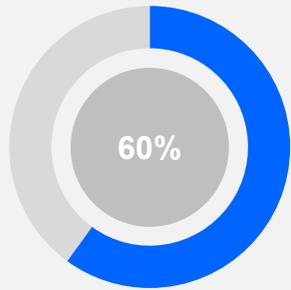
6 Competencies

1. Implements the agreed business plan
2. Proportion of offline hot-sale goods, high-value products and new launch products of the brand
3. Covering major retailers and ensuring adequate stock of goods
4. Live broadcast performance (such as frequency, resources, traffic, ROI, etc.)
5. Improves the consumer experience with the platform (e.g. pre-sales/after-sales service, customer complaint handling, etc.)
6. Provides an effective promotion plan and conduct adequate management

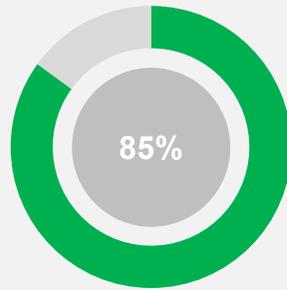
3 Competencies

1. Agile in adapting to changing needs
2. Engages with us on product and business innovation
3. Demonstrates digital program leadership across the business

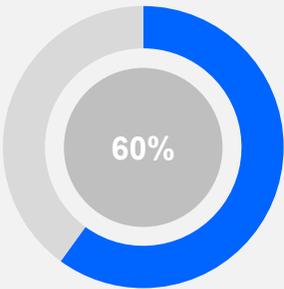
There will be a significant improvement in cooperation between brands and O2O platforms in the next three years



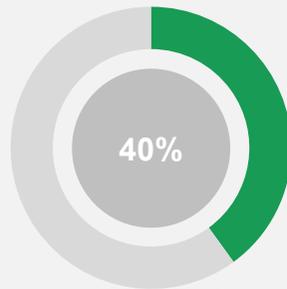
Currently, more than **60%** of brands have a **high level** of investment in O2O platforms



In the next three years, more than **85%** of brands have a **strong willingness** to invest in O2O platforms



O2O platforms are **satisfied** with **60%** of a brand's investment level



O2O platforms either feel **average or dissatisfied** with **40%** of the brand's investment level

Brands have expressed a **growing willingness to invest in O2O channels in the present and the future**

O2O platforms have great expectations for **current and future growth performance**

Cognitive Synergy

Future Space

Both brands and the O2O platform expressed optimism about future development, but the trend differs.

Prediction of the proportion of O2O business in the overall business growth of the brand

17% (Present) → 25% (Next three years) ↑

The O2O platform business accounts for 17% of brands' overall average incremental business. Brands predict that the overall total O2O platform business will increase to 25% in the next three years, indicating that brands have an **optimistic attitude** towards developing the O2O business in the future.

Brand's View

Prediction of average growth rate of O2O platforms

60% (Present) → 52% (Next three years) ↓

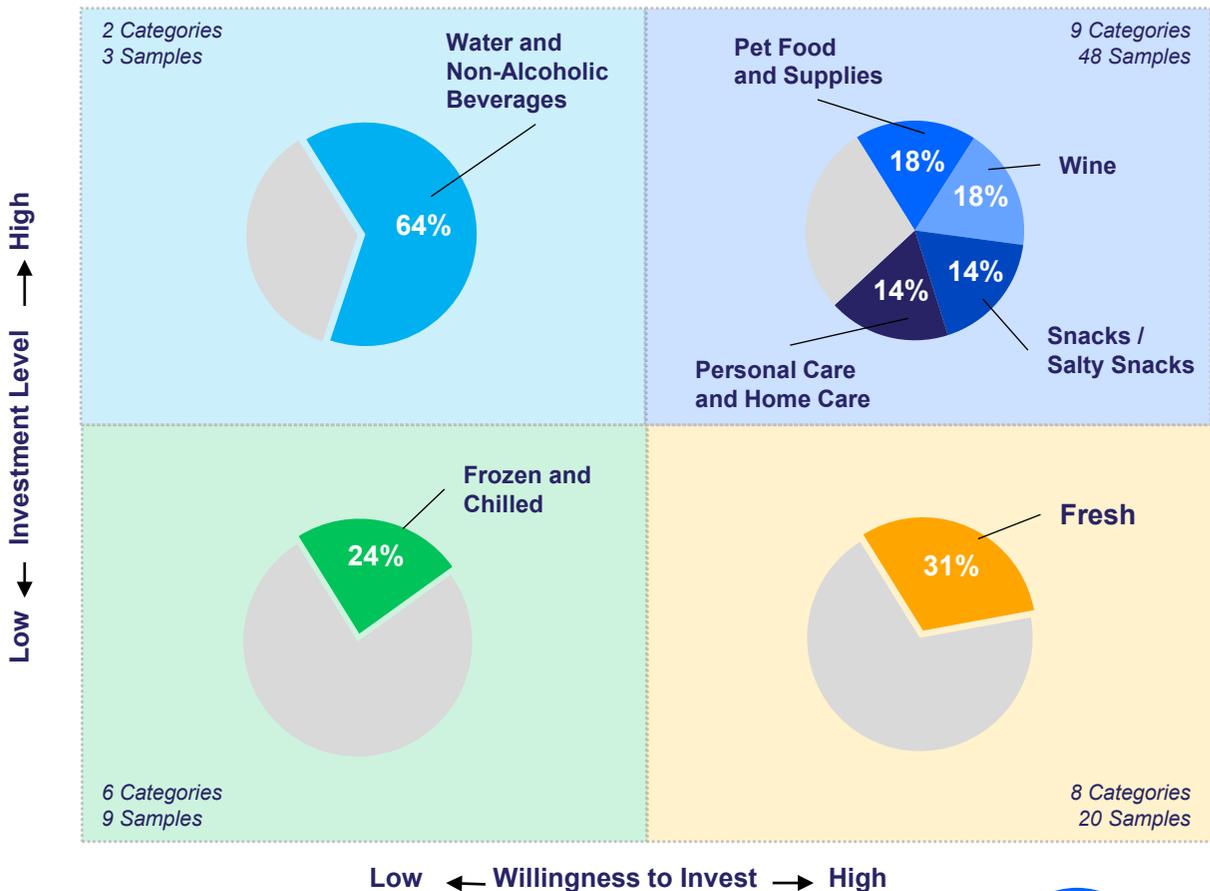
The current average growth rate of the O2O platform is 60%, and it is predicted that the average growth rate of the O2O business in the next three years will be 52%, indicating that the current O2O platform holds a **conservatively optimistic attitude** towards the growth rate in the future.

Platform's View

The brands have an **optimistic attitude** towards the future development of the O2O business, while the platforms are **relatively conservative**, indicating that **there are still many uncertain factors and challenges** in the O2O channel at present, which requires the brands and the platforms to **strengthen cooperation and seek the optimal investment logic**, including:

- In-depth understanding of the strategies of each platform, including short -, medium - and long-term goals, and deep matching of limited resources with each platform.
- The brands need to allocate online and offline resources more reasonably, optimize the investment system, and maintain long-term and stable investments.

Water and Non-Alcoholic Beverages, Frozen and Chilled, and Fresh have massive investment potential.



High willingness to invest and high level of investment

- In this group, Pet Food and Supplies and Wine have a weighted proportion of 18%
- The weighted proportions of Personal Care and Home Care and Snacks/Salty Snacks are 14%

Low willingness to invest and high level of investment

- In this group, the weighted proportion of Water and Non-Alcoholic Beverages is the highest, reaching 64%

Low willingness to invest and low level of investment

- In this group, Frozen and Chilled has the highest weighted proportion, reaching 24%

High willingness to invest and low level of investment

- Fresh has the highest weighted proportion in this group, reaching 31%

Each category's investment attitude differs, and the cooperation strategy should be planned accordingly

Category	High Willingness and High Level	High Willingness and Low Level	Low Willingness and High Level	Low Willingness and Low Level
Pet Food and Supplies	100%			
Wine	100%			
Snacks/Salty Snacks	75%	25%		
Personal Care and Home Care	77%	12%		12%
Frozen and Chilled	25%	50%		25%
Fresh		100%		
Milk Powder	40%	40%		20%
Dairy Products	60%	20%		20%
Grain and Oil Non-Staple Food/Condiment/Convenience Food	40%	40%	10%	10%
Water and Non-Alcoholic Beverages	27%	36%	18%	18%

Keep Cooperation

In the categories of Pet Food and Supplies, Wine, Snacks / Salty Snacks and Personal Care and Home Care, most brands believe that the current level of investment is high, and the willingness to invest in the future is also very high, requiring the platform to maintain cooperation with brands in these categories.

Inspire Cooperation

Most brands are highly willing to invest in Frozen and Chilled, Fresh, Milk Powder, Dairy Products, and Grain and Oil Non-staple Food/Condiment /Convenience Food. Still, the current level of investment is low, and the platform needs to continue to stimulate and strengthen cooperation.

Focus

In the Water and Non-Alcoholic Beverages category, brands' investment willingness and investment level in O2O platforms are relatively scattered. It is necessary to focus on the performance and willingness of different Water and Non-Alcoholic Beverages brands and carry out targeted cooperation.

When we talk about O2O business, brands and platforms focus on:

Top Challenges from Brands		Top Challenges from O2O Platforms	
1	Data connection and sharing with O2O platforms	1	Complementary combination of online and offline marketing strategies
2	Online and offline resources integration to launch omnichannel marketing activities	2	Connect brand data to promote business growth
3	Omnichannel products management	3	Brand's long term and stable resource investment
4	The balance between short-term growth and long-term investment strategies	4	Collaborated online and offline pricing strategy
5	Appropriate membership system and effective operation capability	5	Brands provide sufficient products quota for O2O platforms and ensure the supply chain efficiency

1. Data Connection and Sharing With O2O Platforms



Brand

“The data between brands, O2O platforms and retailers is **not coordinated**. We can get **only GMV data, not actual sales data. Actual shipments and sales contributions** of the platform.”



Brand

“On the one hand, we hope the platform can give us more support in terms of **traffic data**. Our current delivery can only be determined by our continuous testing, but there are **many limitations**. If the platform can let us directly see **the conversion and exposure of the investment**, the help will be great; on the other hand, we also need to get through some **supply data or dynamic sales data** to better help us do **the work of dynamic sales and execution**.”



O2O Platform

“Our platform has its own **user portraits**, but brands can also understand these portraits from their perspective. They can use these data to **adjust the design of products** and better **optimize products** according to the preferences of user groups. This is for both sides; it could be beneficial.”

2. Online and Offline Resources Integration to Launch Omnichannel Marketing Activities



Brand

“O2O itself is a channel for **mutual empowerment** between online and offline. Now it is in the **fast lane**, so many things that need to be solved have not been considered. How to match, how to **synergize online strategies**, and how to **feedback online** and **offline passenger flows** are issues that both parties need to think about.”



O2O Platform

“Many brands believe that only single online or offline delivery is enough, but the **user composition** and sources of online and offline are very different, and it is not possible to only do single delivery. For brands, it is **necessary to understand the difference**. .”



O2O Platform

“The O2O channel must be a **global business form** in the future. Therefore, **online and offline resources** and **marketing strategies** must be the most **critical issues**. For **long-term development**, they must also be the most important issues to consider.”

3. Omnichannel Products Management



Brand

“At present, O2O business mainly **attracts consumers** through **promotion and marketing activities**, but there are **no effective price control measures** for goods. We have poor price control over goods, which is a problem that must be solved in the long term.”



Brand

“Different O2O platforms have **different channel priorities**, covering a **wide range of businesses**, so it is very difficult to operate and control **omnichannel products**. For example, omnichannel can cover the same promotional activities at the same time or conduct differentiated activities for different channels, which are **very challenging**.”



O2O Platform

“Because online and offline promotions and play methods are different, and consumer demand is also different, both parties need to think about and develop a reasonable pricing logic to avoid excessive price differences between online and offline products.”

4. The Balance Between Short-Term Growth and Long-Term Investment Strategies



Brand

“At present, **the short-term development** momentum of O2O is very good, and the growth is also excellent, but the investment at this stage is **relatively extensive** and has not reached **the mature, refined operation stage**. Therefore, **the long-term investment strategy** needs to be discussed and studied jointly by both parties, which is more conducive to long-term development.”



Brand

“The O2O platform has a **high-cost ratio requirement** for brands. In the short term, we can accept it. Still, in the long term, we will consider the **input-output ratio** between each platform to determine whether we can continue to **invest many resources to help the platform develop**. In addition, the platform is constantly promoting the brands to do many **discounts**, leading to **non-benign large order sales in the short term**. This year, we have done much business, but whether it will remain in the future is **very worrying**.”



O2O Platform

“Many brands, especially **middle and tail tier brands**, have very **poor investment stability**. At present, most brands lack **long-term investment planning**. However, long-term investment strategies can help both parties achieve stable growth, a problem that brands need to focus on.”

Helping people and organizations work better together.



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