

## Retail Therapy:

### *China Retail Tech Update*

2024

#### Transcript of Retail Therapy Episode 3

Nicola	<p>Hello and welcome to Bird &amp; Bird’s Retail Therapy podcast – where we explore the trends, changes and legal aspects of the retail &amp; consumer industries.</p> <p>I’m Nicola Conway and I’m a Senior Associate in Bird &amp; Bird’s Retail &amp; Consumer team.</p>
Sana	<p>And I’m Sana Malik, I’m a Trainee Solicitor also at Bird &amp; Bird.</p> <p>In today’s episode: We’re going to be speaking about updates in retail tech in China. And we’re joined by our colleague Serena Du who is senior associate in the Corporate &amp; Commercial Group based in Bird &amp; Bird Shanghai. Serena, would you be so kind as to give a little introduction on yourself and your practice?</p>
Serena	<p>Sure, thanks Nicola and Sana. My pleasure to join you guys today. As mentioned, I’m Serena from the Bird &amp; Bird Shanghai office and I have been with our Bird &amp; Bird team for seven years. I mainly cover our commercial and regulatory practise in China. So, from our past experience in advising the multinational companies in the retail sector, we have found some really fascinating and interesting trends and updates. I am very happy to be here to share them with our audience.</p>
Nicola	<p>Amazing, thank you for joining us, Serena. Let’s get into the episode!</p> <p>[Disclaimer] This podcast is intended to be an open forum for conversation – it does not and is not intended to constitute legal advice. If you <i>do</i> want any legal</p>

	advice, just reach out to us or your usual B&B contact. We're always happy to support you and your business however we can.
Nicola	So, Serena, can you fill us in on some of the key retail tech being used in China right now?
Serena	<p>Certainly, very happy to answer this question. Over the past decade and even more in the past few years, we've found the retail sector in China has been disrupted and transformed by those new technology developments dramatically and all those in the retail sector are trying very hard to catch up with the speed of the technology development. For example, we've found the mobile payment in China has got the highest penetration rate than pretty much anywhere else in the world. So for example, nowadays, almost 70% of the total population in China have happily embraced the mobile technology in their daily life, so the active users use the payment for literally everything, like taking the subway, taking the taxi, buying groceries or even paying for hospitals. So this number in 2018, like 5 years ago, is only 40% and 10 years ago it was only 10% so we can see the fast growth rate of mobile payment penetration. This adoption of mobile payment I think has cultivated a very unique e-commerce and payment eco system that differs China from any other major economic market. So for example the companies in China are more focused on their retail channel through the mobile portal rather than the PC end, and China now has totally skipped a generation of PC payment and the digital payment through the credit card and so to use the mobile payments in China you don't need to go to the bank and apply for a credit card based on your personal credibility. The cash payments also currently have become, in practise, unavailable. So this quickly transferring China into a cashless society. So if you come to visit China these days, the shop doesn't even have the change for any cash payment even though they are not supposed to reject cash under the law. So this can show you how the solution offered by Alibaba and WeChat, these giant tech companies, they can offer very secure trusted escrow accounts service and real time payments between the merchants and the consumers. They are much easier to access than those traditional bank cards and the payment process is more seamless and can be done within just a blink and a few seconds. So meanwhile they boost the retail sector by taking the role as a trusted third party. So this is very important to be sure of the authenticity of the online transactions which is a major concern to e-commerce users. So we think mobile payments is quite a unique technical development for retail sector. And also, we found for example those apps on our mobile phone now are more and more integrated and all the apps in China now are trying to be the all in one to create its closed loop eco system to capture all the connection. So, giving an example, each time when I use an app to navigate my direction in the city in Shanghai, I always find a new function has been launched each time I used it. So it enables much more functions than just map searching. At the beginning, like for example, I could call a taxi with my map- that is quite predictable- not much surprise. Then, later on I found I can even make reservations directly for the restaurant I located on the map, purchase a ticket for</p>

	<p>the park I am headed to that I found on the map and even now, I can check the lease price of the office building that I am going to visit. So this is totally beyond my imagination. And this development trend I think is one of the reasons for companies in China in the sector, they have to deploy this so called omni-channel marketing strategy to cover all the online channel for marketing purpose. So because each map will become a potential destination where the customer will close a transaction so the business will need to provide a very consistent and similar shopping experience across all the channels with a customer centric approach. So this is, I think, the trend for the companies in retail in China to stand out. So above is like the interesting example I've observed of the new tech in China retail.</p>
Nicola	<p>Wow, that is fascinating. I mean I think in the UK were making a lot of progress in the advance payment processes that you talk about, but I can't think, at least of the top off my head, of those all in one apps. I mean I definitely cannot see lease rental rates in my Google Maps. Sana, have you seen anything like that?</p>
Sana	<p>No, and that kind of anticipating, predictive technology that Serena was talking about I've never seen anything like that, it will be so exciting to get that here, I've not seen anything or experienced that before.</p>
Nicola	<p>Do you think Serena, that there are any reasons as to why China retail tech has seemingly progressed so much quickly than elsewhere?</p>
Serena	<p>Yes, it is mainly driven by the demand from the consumer end because nowadays the Chinese consumer, let's say the millennials or Gen-Z, they are increasingly tech savvy with a growing preference for online shopping due to its convenience, variety, and competitive pricing. So that why the fast development of the digital retail products satisfy the consumer needs and also I think this is partially this is thanks to the government initiatives and policies because the government does play a very crucial role to foster this environment, this digital e-commerce environment and I think this will inject more variety and vitality to the economy because those digital realty product can support those small and medium size companies located, for example, very far from the downtown and this can also encourage innovation and also keep all the sectors more closely connected and then everyone can keep pace with evolving digital landscape so I think this would be the ultimate goal for all the parties.</p>
Sana	<p>That's so interesting, thanks Serena it's so interesting to hear about how demographic is just so influential in this area. If we look specifically then at e-commerce, or consumer purchasing, what seem to be the most popular apps or</p>

	platforms right now? And which companies seem to be dominating, in your opinion?
Serena	For me, I would say I'm still quite old school that I would choose Taobao which is like more specialised in online shopping on e-commerce however now there it seems TikTok and WeChat is all catching up to share this piece of cake for the online shopping, like for example, TikTok they are famous for their online shopping through their livestream and WeChat is more famous for their shopping within the private circle, like for example within your group of friends, so these shopping apps they each have their specific niche target market or target user.
Sana	And as well as the more traditional e-commerce platforms, live streaming selling in China seems to be more popular than at least we see here in the UK – is that expected to continue to grow in popularity?
Serena	<p>Yes, I think live streaming in China is more than just showing the product for example. It is like stepping into someone's life like for example when you watch an influencer sharing their daily life, you get familiar with them and its like meeting a friend you trust and you hope to check what are they using, what is their recommendation? And I think this trust, as I mentioned earlier, is very important for our shopping online and once the trust is established then you can develop further business from it, like trusted business from it, and when for example, the influencer they chat about their favourite products and their specific function and this is like when you are socialising with your own friends and the TikTok is doing something similar with those algorithms and through the live videos and making promotions feel real and genuine and I think once you conquer that barrier of trust, the live streaming or shopping experience can be quite fun.</p> <p>Also I hope to share some like difference when I travel for example in Europe in the train I still saw some people reading books and that's really fascinating because in Shanghai if I take the subway, literally almost everyone checking their phones and when I saw people reading books it made me somehow nostalgic and I think it also shows probably in some areas people still prefer their own way of lifestyle so I think that's also quite cool just to you know see the old school variety type.</p>
Nicola	I think there was a bit of a reversal of trend where people went back to reading paper books and we saw loads of new second hand online book shops opening up so when you finish your book you can send it to this second hand store and they can resell it and they are really good prices- it will be like £1 or £2 or

	<p>whatever because a lot of people did, as you said, want to go back to reading paper books and I think were just a bit behind!</p>
Sana	<p>That's so interesting your point Serena about being nostalgic for books, I love the way you put that, here in the UK were seeing a difference I think in the influencer culture and in fact like Nicola said, there's kind of a re-trend to go back to physical books and something that's extremely popular here at the moment is 'bookTok' so a lot of influencers are speaking about their favourite books like a few seconds key highlights or themes or archetypes of characters are really highlighted on several accounts and key influencer pages on 'bookTok' as it is coined now. It has become so popular that so many kinds of books have been adapted into Netflix series' and shows this way where it has been picked up by companies because of the exposure on TikTok and also even if you go into a book shop like Waterstones down in the UK they actually have a 'booktok' table so that's just how much the madness has kind of seized the UK in this respect. I think our influencer market is quite different here in the UK so a lot of like Instagram/ TikTok people will have a lot of the real books or the real-life old-school things but then they'll have one product that is the new technology people like the new protein shake mixer or something like that and it really showcases then that new technology that contrasted with reading the books or yoga in the morning or something like that.</p>
Serena	<p>Yeah, also I think, I'm not sure if this is one of the reasons is often in the US or Europe I have found they are more from the result driven perspective when shopping is that once they have a particular things in need they will go shopping like for example, I asked my friend why they are not watching the live stream- because you have to wait for long time when you watch the livestream until some interesting product you like pops up otherwise it will be just a line of products one after each then your not sure if you like every single product the influencer is presenting to you so its like you are just wandering around window shopping whereas some people may find it like a waste of time but if it is just for entertainment purpose you are like watching a show and then that part of waiting is acceptable otherwise probably livestreaming may be considered as not very result focused shopping experience it's a more entertainment focused experience.</p>
Nicola	<p>I'm with you, I think I would find that highly entertaining! I am the kind of person who still watches YouTube videos even though I know how to do the makeup videos, I just enjoy watching them do it and then tell me what to buy and then I go and buy it.</p> <p>So if we pivot away a little bit away from B2C relationships and into B2B relationships – are companies also using tech in that aspect/ For example, are you seeing supply chains being heavily tech influenced or tech powered?</p>

Serena	<p>Yes, we have heard a lot about this through the marketing promotion of these companies for example, to deploy the artificial intelligence or those buzzword internet things, blockchains or other emerging technology. We've seen some brands making their supply chains more flexible to adjust the real time frontline result to reduce their warehouse inventory and also to provide more enabled by those technologies they've deployed and also for example, we have clients they have claimed to have visualised real time supply chains so this can enable the companies to track the cargoes and also to track those information and logistics very quickly and detect and solve those problems in the supply so they rely on the robots in the factory and they have developed some smart analytics to streamline the inventory for costing and planning and as well the category selection, procurement, relocation at the consumer end so these companies can make their required investment more wisely and to choose, for example, the right service provider, they can manage the data and improve the efficiency of the supply chain ultimately to reduce the cost and provide better product to the consumer.</p>
Sana	<p>So interesting to hear about how streamlined things are getting.</p> <p>As a final thought here – what would you say are the key legal risks that non-China-based-brands should keep in mind if they're considering or in the process of expanding retail operations into selling in China during 2024?</p>
Serena	<p>So I think the impact technology has brought more challenging legal risk for foreign investments that they must be aware of for example we have seen some developments through the cross border e-commerce and the product needs to check that whether their products is still subject to the prior registration before the product enters into China and also we hope to share with clients that the data localisation requirement in China has further development that you need to keep an eye on whether you are the data base for our China consumer has been fallen into the category or not and this may hinder your business in China, so for example, when you compete with other companies in the same sectors in China you needs to be aware of those and their competition restrictions and for their online IP infringement. The authority may also have different views in each perspective and also we've seen some anti-monopoly issue in terms of pricing especially if you work with a disputer and that is a very sensitive topic in China whether you can restrain the retail price and also more importantly for advertising compliance that in China the law is more restricting than most other jurisdictions so we have to consider whether the content is misleading or subject to certain censorship and also if you want to develop some online business you will need to check whether your business is subject to any licence requirement which sometimes the foreign investment is restricted and at last we've seen some commercial risk when that company is cooperating with some influencer they</p>

	will need to check under the contractual law whether your terms are against those mandatory terms or not so that is the risk we hope to share with our clients.
Nicola	<p>Ok lots to think about – if anyone listening want to learn more about any of those considerations, just reach out and we can always set up a call and share more information. Thank you so much Serena for sharing your experience of retail tech I think that’s incredibly fascinating.</p> <p>Let’s close the episode with a fun little question –Serena and then Sana - what’s something that you purchased or were gifted recently and loved?</p>
Serena	So for me, recently when I travelled to US and Europe one thing I think may bring up some cultural difference is we Chinese we drink a lot of hot water which is quite unusual for my friends overseas so each time when I ask for hot water everyone looks surprised because normally people would drink like ice water or room temperature water so that’s why when I travelled this time I bought a heated travel mug which can be charged by the USB cable so I can have my hot water anywhere where I can charge my phone!
Sana	I love that, that’s amazing! For me, it is an oldie but a goodie product so it’s a repurchase of niacinamide from the ordinary company which is perfect for people who are having slightly drier skin with all the heating on or the colder weather outside so it’s great for that and also reducing fine lines for anyone who’s beginning to get their first few lines it’s a highly recommended product. Nicola what about you?
Nicola	So I’m excited to tell you mine because Serena, I didn’t know you were going to bring up books earlier but the thing I was going to talk about is I’ve actually bought an app, a paid subscription app, which is very unlike me I’m very much a free app kind of person. It’s called Headway and its basically summaries of books, you can see like a short synopsis of a book so it might 5 minutes or it might be 15 minutes but it tells you the theme of the book and I think probably one of the main reasons people get this app is because if maybe they aren’t a reader and/or don’t like reading paper books but they want to digest a book in that really quick efficient way maybe on a commute, I actually am a big reader and I actually prefer to read paper books so I keep this list on my phone of all the books that I want to get, its one in one out for books at the moment in my flat because I just commit way too much storage space for books but anyways long story short this app is really cool for me to basically get a feel for a book before I buy it and actually I’ve listened to a couple of summaries and they encourage me to go ahead and buy the book vs I’ve listened to a couple of other summaries and then I’ve thought do you know what, that book probably isn’t for me, it doesn’t

	sound as though it's quite what I thought it was about so I think it's great, I'm loving it!
Serena	That sounds fun, like a trailer of each book.
Nicola	Oh that's a better way of describing it Serena your absolutely right! Its like a trailer for a book.
Sana	Alright that's the end of our episode – thanks for joining us! If you'd like to join us for more Retail & Consumer discussions, don't forget to subscribe to be notified when the next episode goes live. We hope to meet you there.



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