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# Clicks that bind

Retail expert who works with Alibaba sees opportunities for foreign firms even as online and offline sectors converge

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If Jack Chuang had not been so inquisitive about how things worked when he was younger, he may have ended up going into medicine. But engineering and science intrigued him more.

"As a kid I was more interested in how things worked, and creating things, than in what made us tick," said the 37-year-old partner and head of the Greater China region for OC&C Strategy Consultants.

These days, however, he draws a lot on human behavior, especially when working with retail and consumer clients.

Founded in 1987, OC&C Strategy Consultants is not a household name, but in the retail and consumer sectors it is well known as a problem solver.

"I guess you can say we help them clarify difficult issues, especially when it comes to strategic challenges," Chuang said of his clients.

Many of the challenges faced by clients involve technology and digitalization. He said technology is now integrated into every facet of Chinese shopping behavior — from research, pricing and transactions to consumer feedback.

For ordinary Chinese, online shopping has become a fact of daily life.

"They understand it and know how it works — young and old. True, some older people have issues with it, but on the whole it has been pretty well accepted."

China's online retail sales totaled 5.16 trillion yuan (\$749 billion) last year, up 26.2 percent from the previous year. And it is estimated that online shopping will exceed \$1 trillion by 2019.

One company that Chuang works with is online giant Alibaba.

"This is a company which has transformed the Chinese shopping landscape through its marketplace, creating promotional occasions such as Nov 11 Singles Day, and arguably the most important move of setting up a trusted payment platform, Alipay," he said.

In the first five minutes of Singles Day last year, \$1 billion was spent in Alibaba's online marketplaces. Alibaba reported a new sales record of \$17.8 billion that day for retailers on its platforms, up 32 percent on 2015.

Originally referred to as Double Eleven, it began as an informal holiday in 1990. Alibaba saw it as an opportunity for an annual shopping spree.

China's online sales on Nov 11 totaled a record-breaking \$25.8 billion in 2017, up 44 percent year-on-year, according to Beijing-based e-commerce data provider Syntun.

"Domestic demand is huge in China," Chuang said. "More and more people are going online to shop. Consumers appear to be more adaptable to new technology than consumers in the West."

He said the Chinese had not grown up with the mall culture popular in many Western countries. "Like in many sectors in China, consumers have leapfrogged the mall and (gone) straight into online shopping."

"It was fairly easy in a way, because there were no incumbents (well-established brick-and-mortar retailers) holding back the development of online shopping."

Chuang said one of the problems in many countries is that the full potential of online shopping has been held back by incumbents not wanting to change. In China, consumers just go online.

Previous OC&C research has shown that a major factor in online sales growth among Chinese millennials is their desire to express their individuality. This has driven the young generation to seek new brands and products online which are not yet widely available in China.

"Selling online in China is rewarding yet not easy," Chuang said.

"Brands can benefit and achieve their online objective through partnering with strategically aligned platforms and by customizing their offerings to cater to various needs of different market segments."

"In addition, brands need to figure out the level of control and capability which an online store demands, so as to determine whether to establish in-house operations or to rely solely on platforms," he said.

"Choosing the right model and strategy can definitely make it much more effective."

Price and convenience-related factors are consistently placed as the top reasons for buying online in China.

The growing middle class wants to save money on everyday consumables, so as to spend those savings on a better lifestyle, including for dining out or buying international fashion brands.

"Consumers' need for convenience is fueling the demand to buy online anywhere, anytime. All these are favorably fulfilled in China given the rapid development in infrastructure and logistics across the country, in



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both intra-country movement of goods as well as last-mile delivery to consumers," Chuang said.

Alibaba and JD.com together command about 70 percent of the online market in China. While Amazon has a presence, it is dwarfed by these two competitors.

"Alibaba is a kind of Amazon plus eBay plus PayPal all wrapped together ... a one-stop shop," Chuang said.

Alipay has already been rolled out in China and is spreading around the world.

Chuang was born in Taipei. His father, a pharmacist, and mother, a nurse, migrated to the United States when Chuang was 9 years old so that he and his brother could get a "better education."

He studied electrical and computer engineering at Cornell University, an Ivy League university in New York state, and did internships at the National Institute of Standards and Technology (NIST) and some of the biggest US technology companies such as Lockheed Martin, Cisco Systems and Intel Corporation.

Chuang moved back to Taipei in 2004 with Intel and later to Beijing, also with Intel, the following year.

Working in the technology sector, his future looked set — but life took him in another direction, to consulting and more specifically retail.

"I decided that by getting into consulting it would give me the greatest breadth of experiences and depth in specific areas of interest for me," he said.

He joined OC&C in 2010 and relocated to Shanghai, with an emphasis on problem solving.

"Clients come to us at different points in time with many different challenges," he said. "What we do is help solve that problem, whether it be in helping to set up an offline/online strategy, design a brand proposition, advise on product portfolios, pricing to customer profiles, or other topics."

Chuang said one of the biggest challenges is bringing both online and offline together — not just in China but around the world.

"It is a trend we have been seeing in the last couple of years and the time will come when there is no difference between the online and offline."

"The lines are already starting to blur. Online and offline are starting to look the same."

He pointed out that the growth in online shopping in China does not mean people do not like going to shopping malls. "Research we did last year showed that the majority of consumers learn about new brands from window shopping," he said.

Chuang believes that in less than five years the boundaries between online and offline will no longer exist in the Chinese retail sector. "They will become one and the same."

There is still plenty of room for foreign companies in the China consumer market, he said, but foreign retailers will need to keep adapting their products to suit trends among savvy Chinese shoppers.

"For example, for anyone wanting to open an upmarket restaurant in China, you have to adjust for local taste."

And he explained that Chinese

## Bio

### Jack Chuang

Partner and head of the Greater China region, OC&C Strategy Consultants

#### Career highlights:

2016-present: Partner and head of the Greater China region, OC&C Strategy Consultants, Shanghai

2013-2016: Associate partner, OC&C

2011-2013: Manager, OC&C

2010-2011: Consultant, OC&C

2007-2010: Founder, Eazo, Beijing

2005-2007: Product marketing manager, Intel, Beijing

2005: Technical marketing engineer, Intel / WiMAX, Santa Clara, California

#### Education:

2003-2005: Master's degree in management science and engineering, Stanford University, United States

1998-2002: Bachelor of science degree in electrical and computer engineering, Cornell University, US

#### Quick takes:

**What is the best advice anyone has given you?**

Whenever you spot and raise a problem, come with solution options prepared, even if these are not the right solutions.

**How do you gauge success in your job?**

I have three metrics: 1. How much I'm able to help my clients; 2. How well I develop my colleagues — both as individuals and as a team; 3. How much I increase my own knowledge.

**What is the key in building a relationship with a client?**

First is to understand your clients, context and challenges. From there, it's about taking a genuine interest in helping your client resolve the challenges within the context.

**How do you spend your spare time?**

I try to exercise when possible, and travel.

**Do you play or follow sport?**

I used to play volleyball and swim. In the past three years, I've picked up running and triathlons.

palates vary across the country. "In Sichuan (in the southwest) they like their food spicy, in Shanghai they like it a bit sweet; in the south they like rice, while in the north it is more wheat-based.

"Different city tiers are also on different adoption curves to foreign tastes," he said. "So if an upmarket New York or London-based restaurant wants to open in say Beijing or Shanghai, that's fine. But if it wants to make it really big in China, it will need to adjust to the local palate."

And these are the types of challenges Chuang thrives on.