

Dr. Zhang's Last Stanford Speech in 2014...



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Daniel Wenzhong Zhang, Ph.D., Chairman of Wumart

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Retail in China and the Online Opportunity



Daniel Wenzhong Zhang, Ph.D., Chairman and Founder, Wumei Holdings

Wumart's humble beginnings started at Stanford University when Dr. Daniel Wenzhong Zhang was a postdoctoral scholar doing research on computer software systems leading to the development of an IT system for retailers. After returning to China in the early 1990s and discovering that no one was interested in his technology, Dr. Zhang opened a store that would showcase his software in a retail context, and thus Wumart was launched in 1994.

Within a 10 year timeframe, Wumart expanded from a single store into 460 stores including hypermarkets, super

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Retail Digitalization and Unification of Online/Offline

Dr. Daniel W. ZHANG

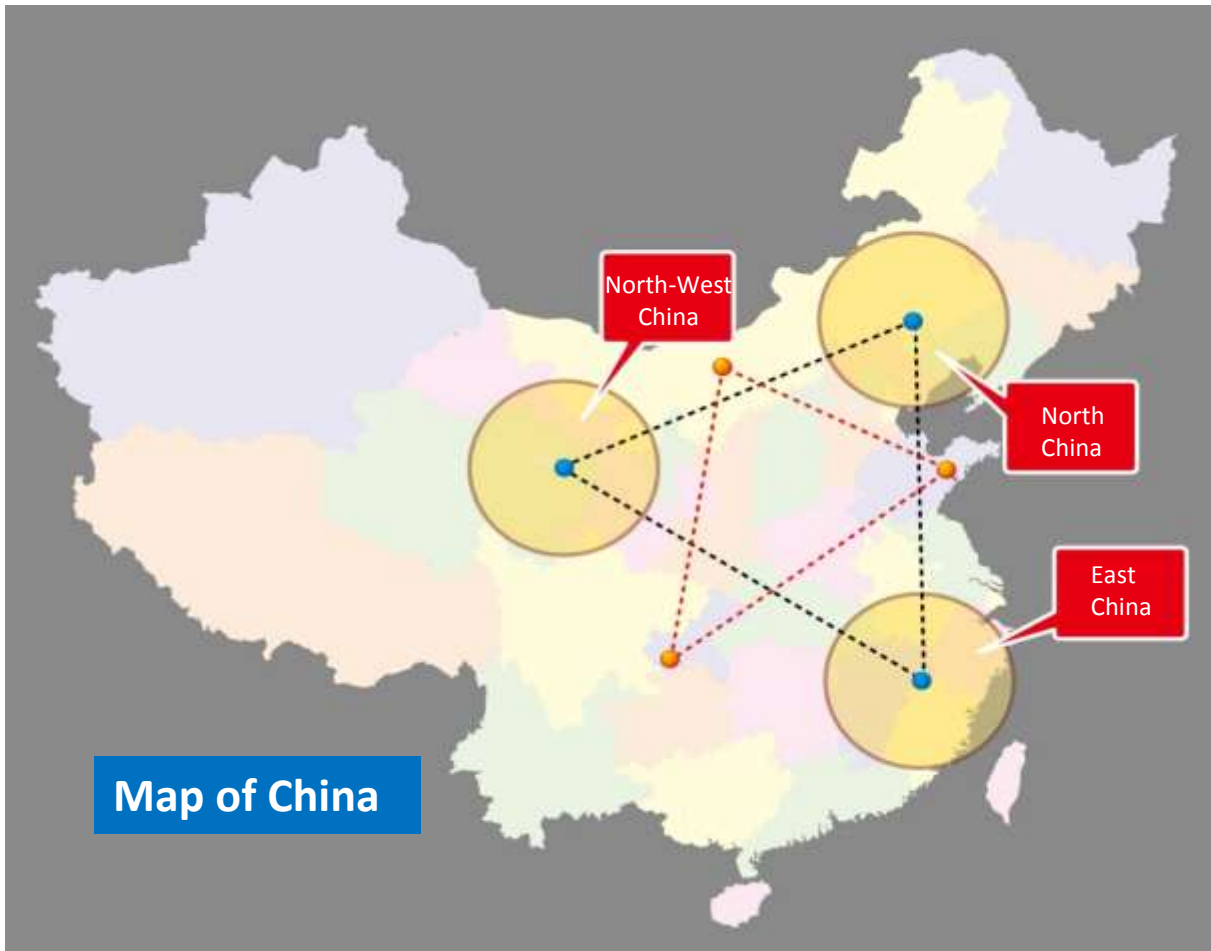
Wumart Group / Dmall

September 24, 2020

Retail Digitalization and Unification of Online/Offline

- **Six Years Gone: What Has Wumart Done Since Last Speech?**
- **The Strategic Choices Faced by Us Back In 2014**
- **Dmall's Development Trajectory**
- **Dmall + Wumart + METRO: The Retail Digitalization Roadmap**
- **Digitalized Operation & Consolidation Is the Future**

Wumart 2014 vs 2020: The Retail Digitalization Journey Continues..



Wumart in 2020: Dmall + Wumart + METRO

- Back in **2014**, Wumart's presence only covered North-west, East and South-west China

- In **2015**, Wumart was highly acclaimed for its buy-and-turnaround story of the China business of **B&Q (now B&T Home)**, a British multinational DIY and home improvement retailer, solely owned by the Fortune 500 Kingfisher Plc.

- In **2019**, Wumart became the biggest shareholder of **Cbest, the largest retailer** in South-west China after a highly acclaimed transaction

- In **April 2020**, we successfully completed the deal of 14.5 billion RMB (eq. 2.1 billion USD) to hold 80% stake in the Fortune 500 Germany-based **METRO's** China business.

First Wumart store opened in 1994



- Transactions/year: **1.5 Bn+**
- Stores in China: **1,800+**
- Sales: **100 Bn CNY (eq. 16 Bn USD)**
- Wumart's **80%** of sales via Dmall APP

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Retail Digitalization Is Ever Evolving...

The retail industry has always been playing an important role in driving the upgrading of consumption, stabilizing the supply chain, keeping the society operating, and countering the downward pressure on the economy.

Digitalization is overwhelming.

- The number of **mobile Internet users has reached 3.5 billion around the world**, and the **digital economy** takes up more **than 15% of the global GDP (and 1/3 of China's GDP)**.
- **In China**, there are over 900 million netizens now

Digital technology is progressing fast, including AI, big data and cloud computing

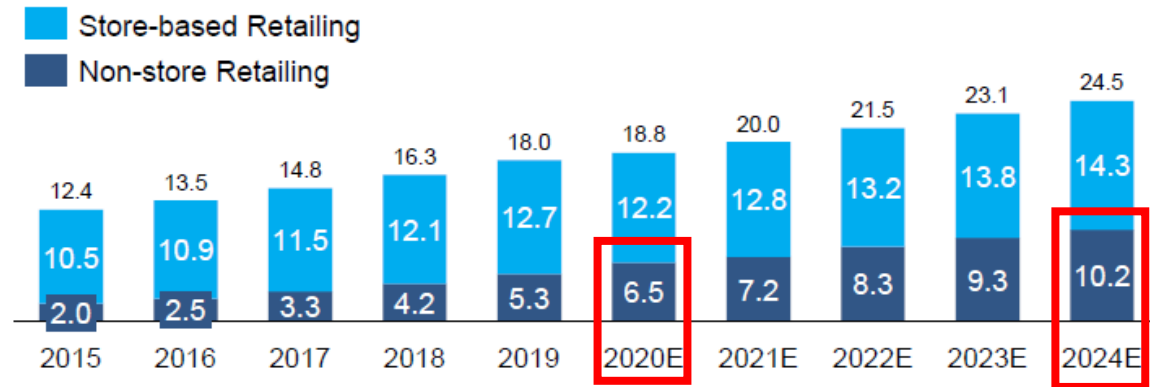
- Manufacturers and retailers face the common challenges and opportunities of integrating the digital economy with the real economy.
- **Digitalization becomes the new growth driver**, cultivating new industries and new forms of business which did not exist a few years ago

Market Size of Retailing Industry in China & US Since 2014 & Beyond

Market Size of Retailing Industry (China)

RMB Trillion, 2015-2024E

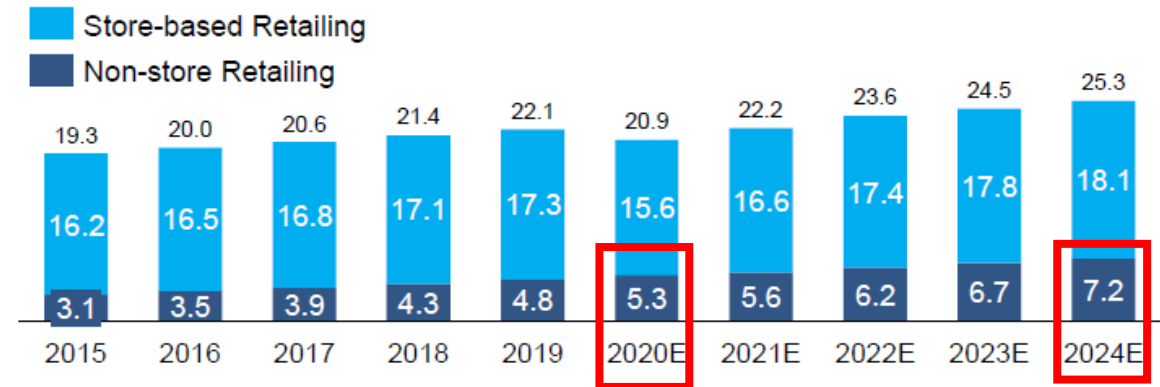
CAGR	2015-2019	2019-2024E
Total	9.8%	6.4%
Store-based	4.9%	2.4%
Non-store	27.6%	14.0%



Market Size of Retailing Industry (United States)

RMB Trillion, 2015-2024E

CAGR	2015-2019	2019-2024E
Total	3.4%	2.7%
Store-based	1.7%	0.9%
Non-store	11.6%	8.4%

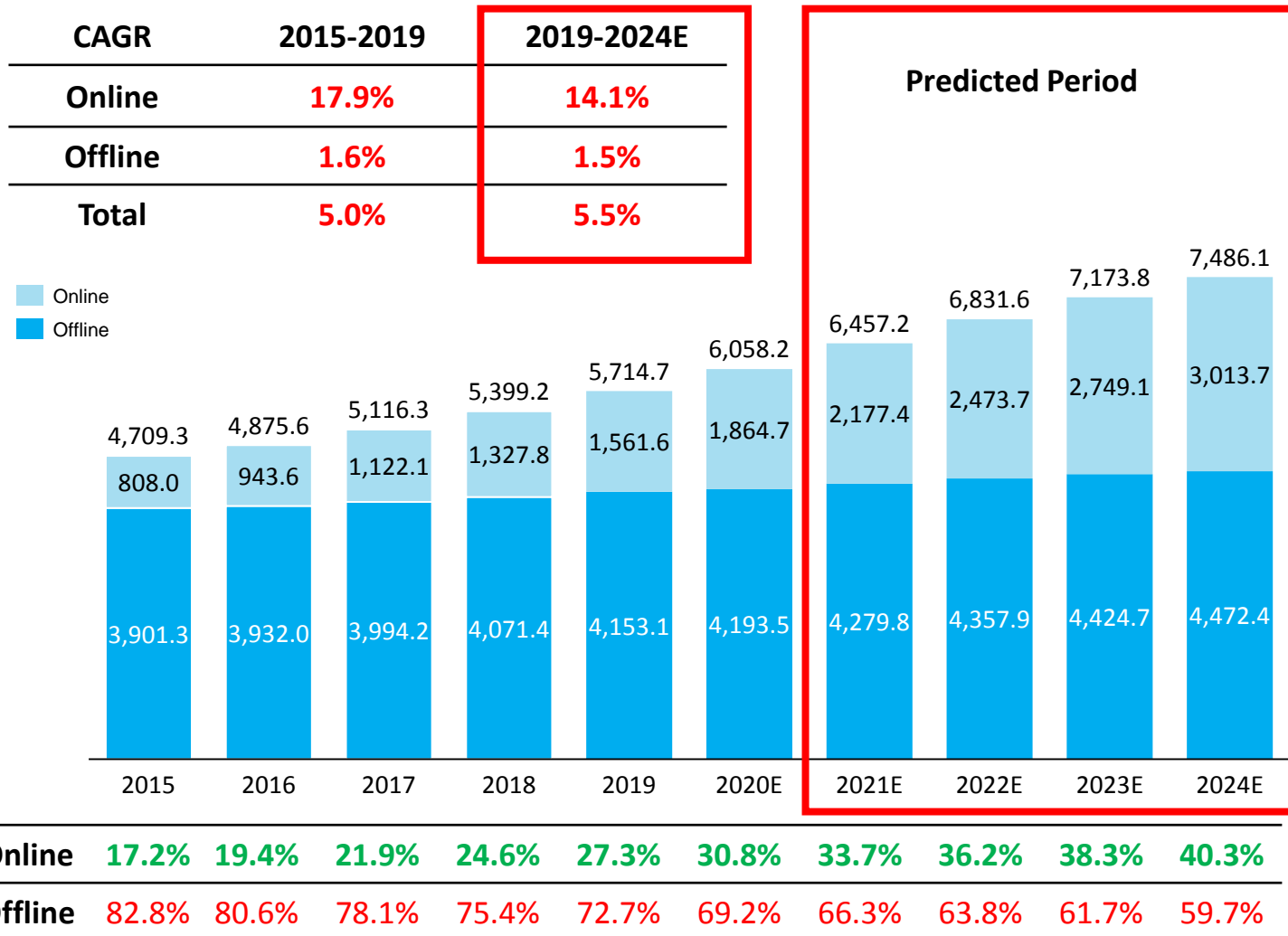


- **Since 2014**, many retailers went bankrupt and **the time was challenging** while our peers were **barely surviving**
- We made our digitalization strategy clear to tap into the trend: **Dmall** was launched in **2015** as a **pivotal turn** in our digitalization process
- **The capital & corporate structure of Dmall (Silicon Valley style)** was to adopt **venture capital** at the very beginning & **young entrepreneurs** as top management & **independent from Wumart**

China: Fresh Food and FMCG Retailing by Sales Channels

Market Size of Fresh Food and FMCG Retailing Industry by Sales Channel (China)

Billion RMB, 2015-2024E

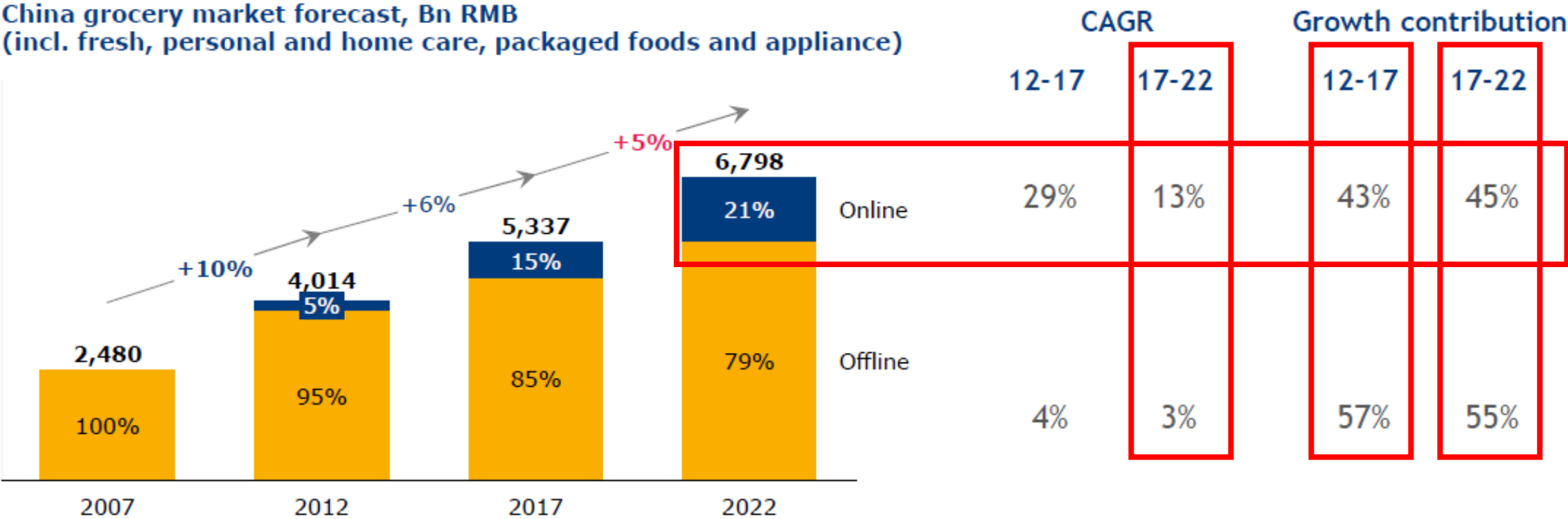


- From year 2015 to 2019, the market size for fresh food and FMCG retailing industry with online channel, was increased from RMB 808 billion in 2015 to RMB 1,561 billion in 2019, with a CAGR of 17.9% from 2015 to 2019.
- This growing trend is estimated to be continued for the coming years to reach a value of RMB 2,984.1 billion in 2024, revealing a CAGR at 14.1% from 2019 to 2024.
- With perspective of offline channel, the market size of this industry also illustrated an increasing trend, from RMB 3,901 billion in 2015 to RMB 4,153 billion in 2019, representing a CAGR of 1.6% during 2015 to 2019.

Source: Frost & Sullivan

China: Online Grocery Sales Taking Share From Offline

China grocery market forecast, Bn RMB
(incl. fresh, personal and home care, packaged foods and appliance)



Source: Euromonitor, AC Nielsen, Kantar; BCG forecast

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Who Is Dmall — Milestone



Shenzhen : International HQ

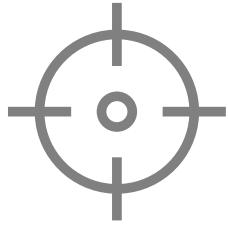
Beijing : Operation HQ

Chengdu : R&D HQ

Wuhan : R&D Office



Who Is Dmall — Mission, Vision, Value



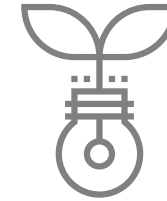
Mission

Improve Retailers' Efficiency and
Enhance Customers shopping
experiences



Vision

Become the global leading
digital fresh grocery platform



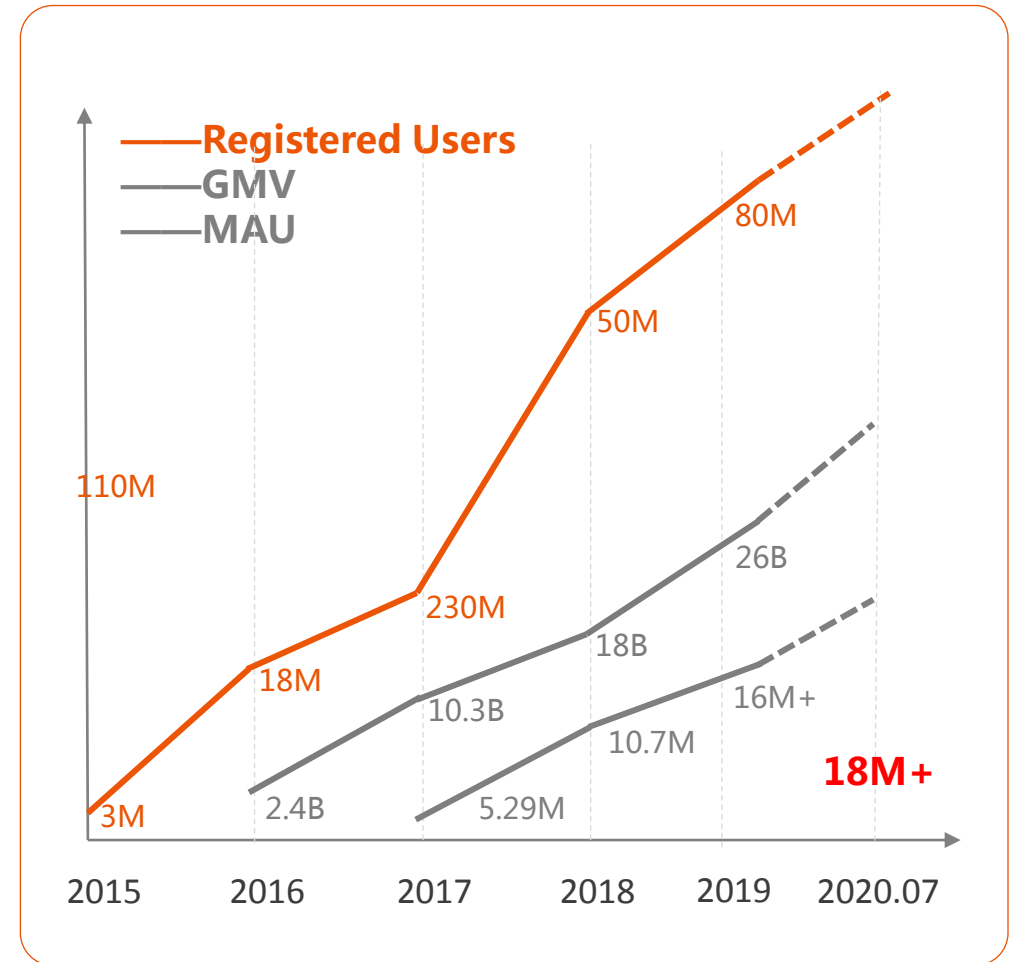
Value

Customer Centric
Collaboration
Integrity and Diligence
Strive for Innovation

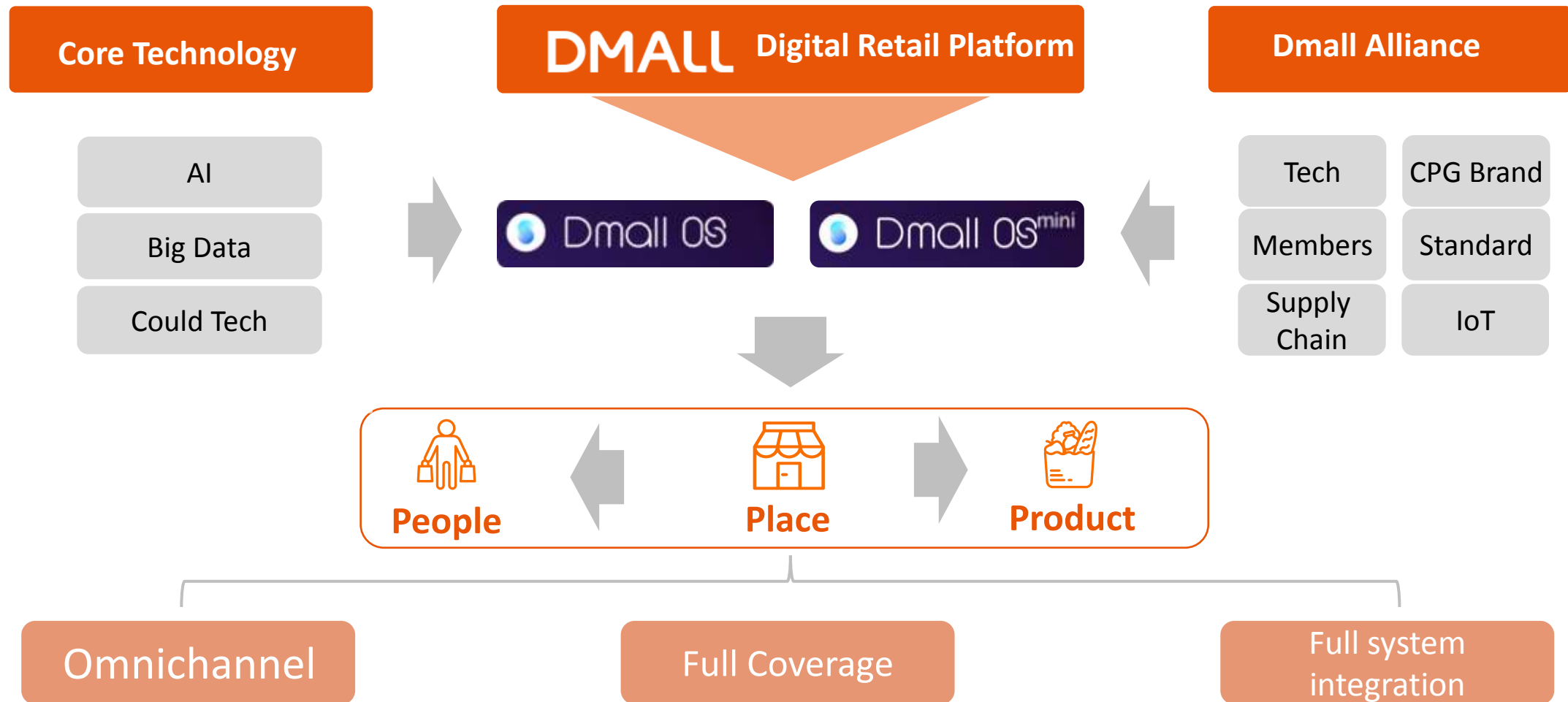
Who is Dmall — Innovative Business Model



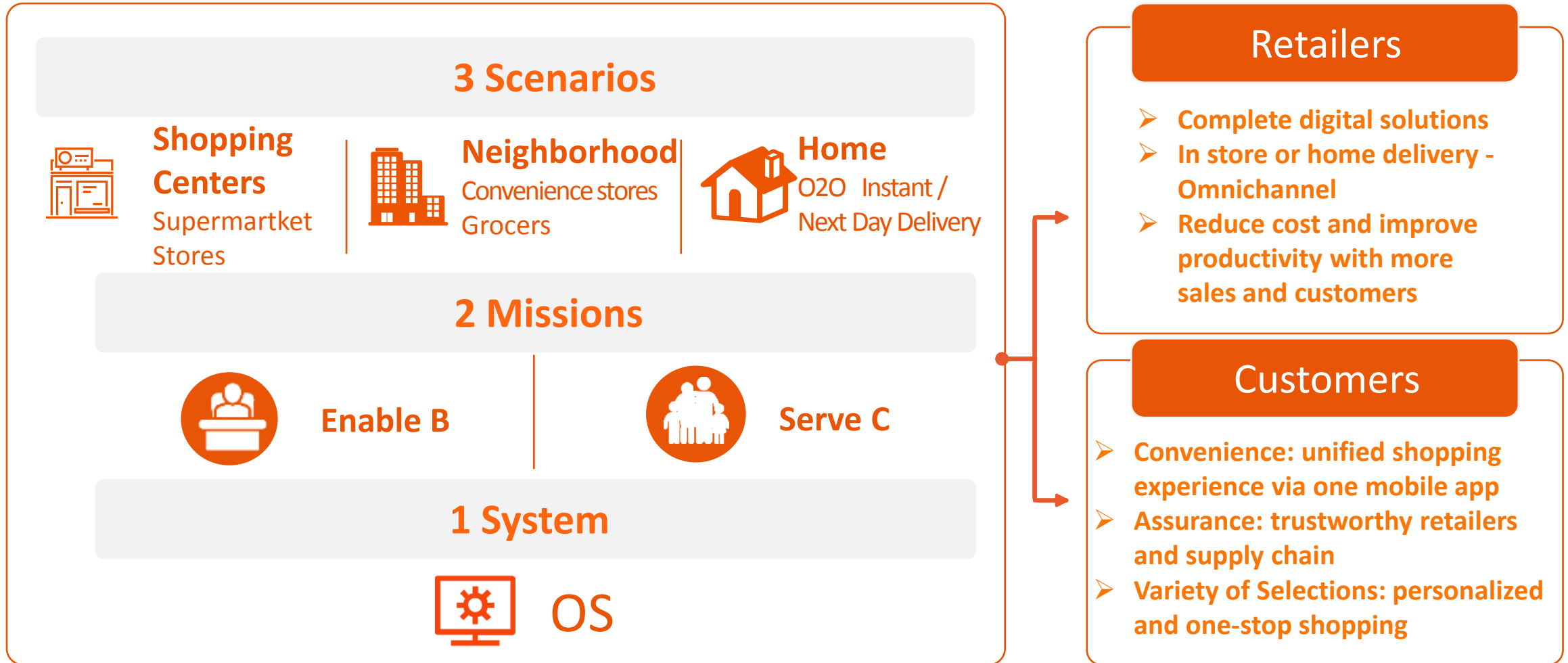
- 01** Necessity goods and frequent visits lead to huge traffic.
- 02** Proven path of digitalization for retailers; low cost to acquire and to retain customers
- 03** Online and in-store retail practices integrated into digitalized retail OS with more than 600 core business modules, successfully deployed by 100+ retailers in the past five years
- 04** Leverage and optimize retailers' supply chain for stores and last mile delivery
- 05** The unique team with both retail and technology DNA



Dmall OS — Linking People, Place & Product



Dmall OS — Linking People, Place & Product



Dmall 2C— Unification of In-Store & Home Delivery



Leverage and optimize retailers' supply chain for lower cost and higher efficiency

Dmall's Partner Chain Stores Are Across the Nation



Dmall has partnered with top retailers in many regions, covering most of Chinese provinces

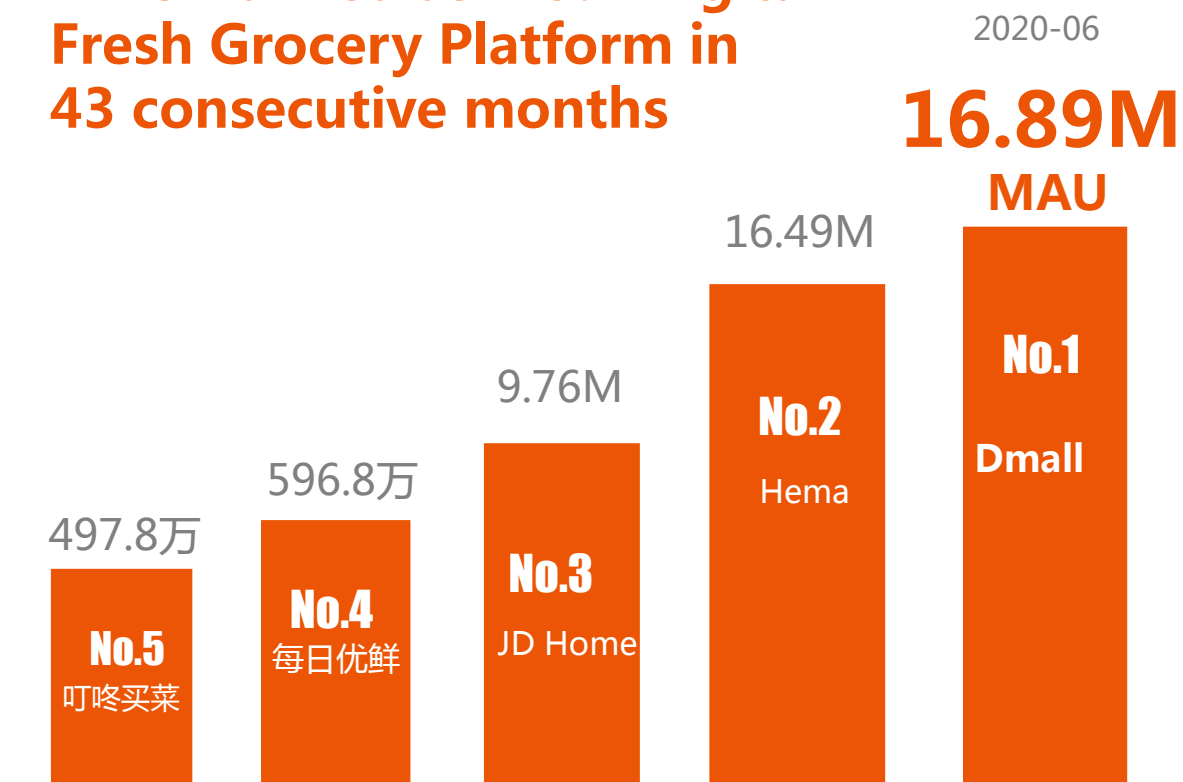
Universality of Dmall OS

- Various tiers of cities
- Variety of store formats
- Omnichannel Solutions
- Compatible and extensible



Dmall's Replication of Business Model with Wumart

**Unicorn
MAU Ranked as NO.1 Digital
Fresh Grocery Platform in
43 consecutive months**



Analysys 易观
数据的数据分析

易观千帆
Analysys.cn

Dmall has been ranked as the 7th most popular mobile retailing app in China since January 2020



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www.analysys.cn

Now has Become the Leading Digital Fresh Grocery Platform in China



31
Provinces



110+
Retailers



13000+
Stores



110M+
Members



18M+
MAU



¥ 26.3B*
GMV

* In Chinese RMB, 2019

APP Sales Proportion: A Significant Indicator of Retail Digitalization

APP sales

80%

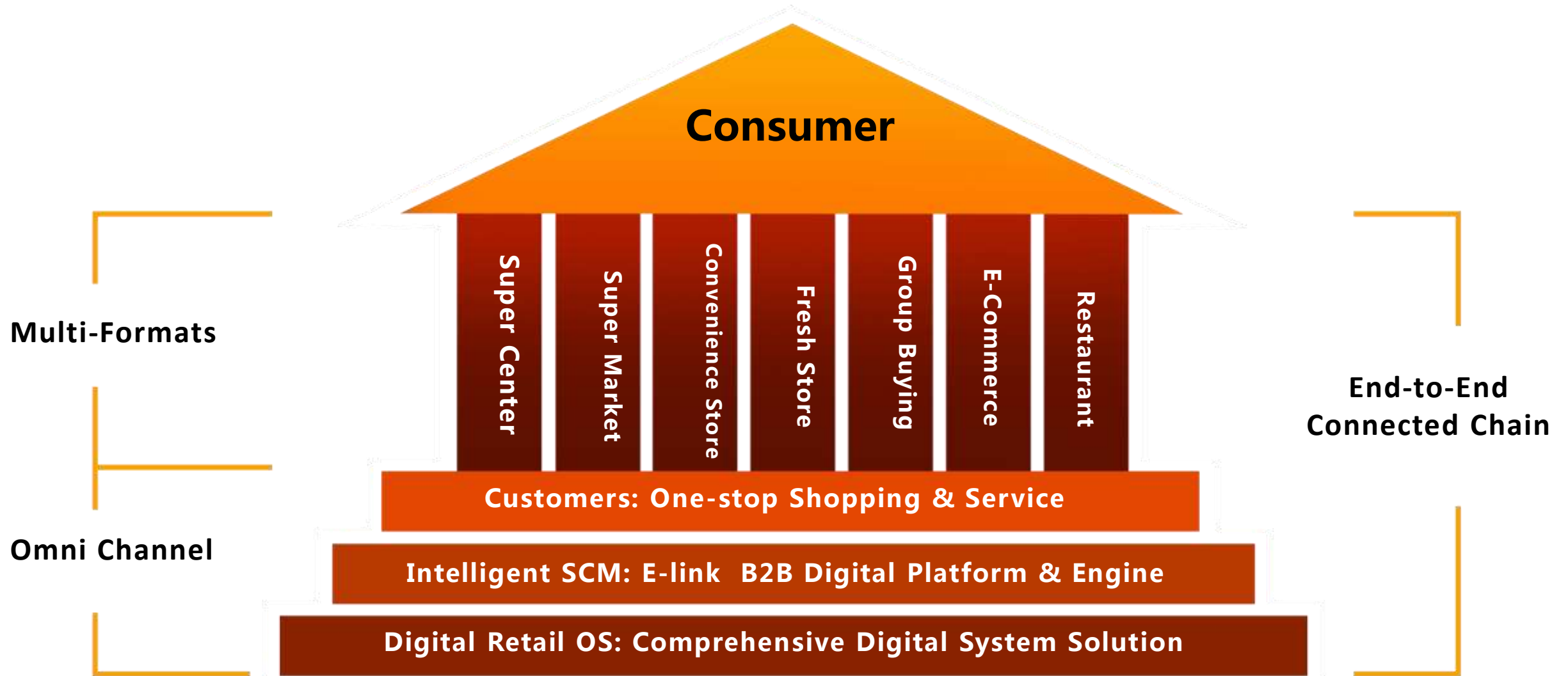
Consumers using self-checkout 52%

- **E-member on a broad basis**
- **Gain consumer insights**
- **Standardize channels**
- **Tracable sales**
- **Digitalization throughout the whole process**

Retail Digitalization and Unification of Online/Offline

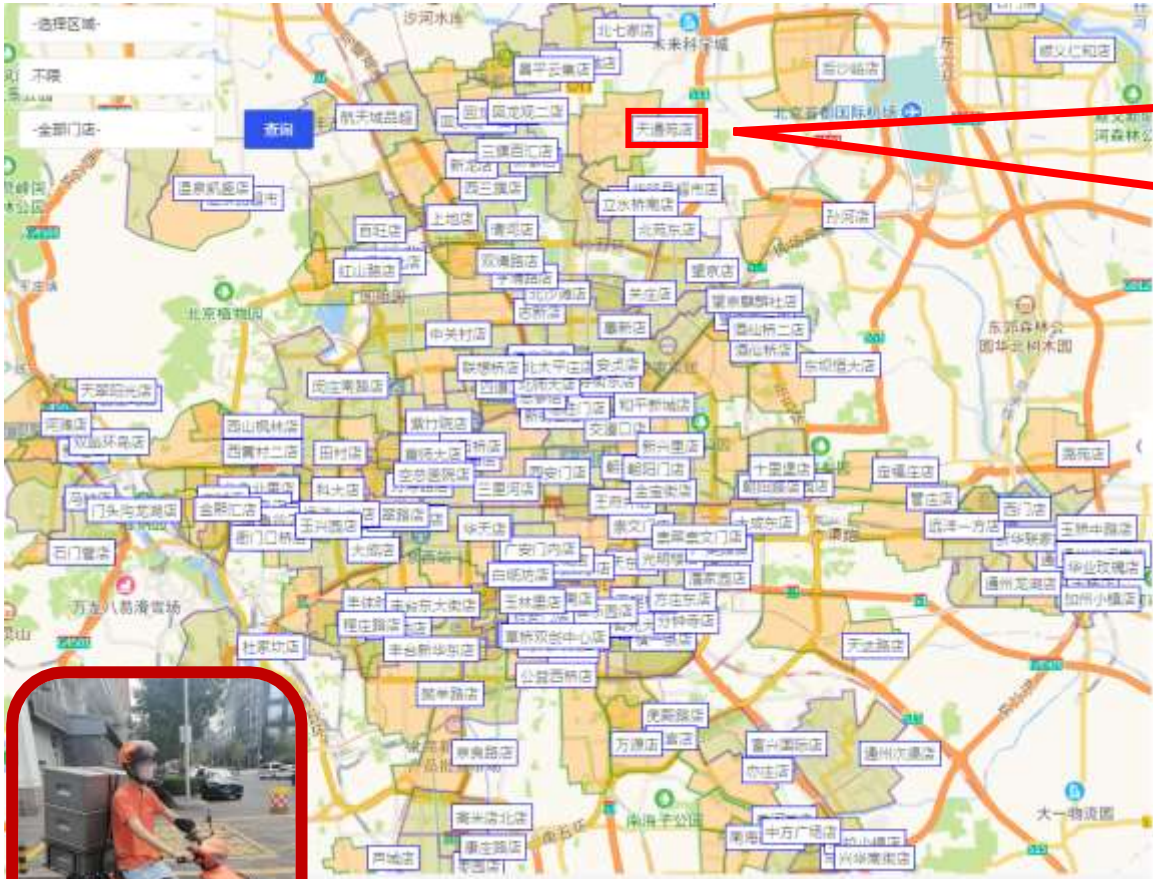
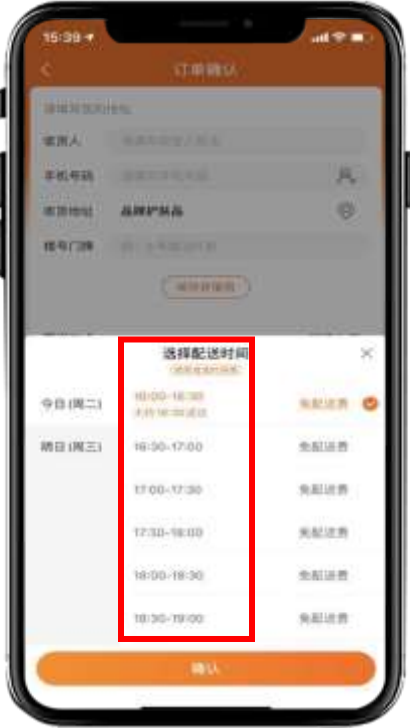
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Consumer Centric Eco-system of Dmall



Digital Fulfilment Center: Delivering Customer Satisfaction Beyond Physical Limits

Covering the Whole City
Deliver to home as fast as 30 minutes



Tiantongyuan Store's Digital Geo-fence

- ❑ Turn Store into Warehouse
- ❑ Pre-delivery calculation
- ❑ Order pick management
- ❑ Picking and Delivery
- ❑ High customer satisfaction

- ❑ Predictable, accurate and achievable delivery time. Let customers make better use of time.
- ❑ Delivered as fast as 30 minutes
- ❑ 31 time slots per day
- ❑ Production lead time is 20 minutes. Set different production lead time by road areas.
- ❑ Set different upper limit of orders by time slots



Wumart Stores Digital Geo-fence Map of Beijing

Dmall + Wumart + METRO: In the Context of 2020 and Beyond

Since early 2020, the world has been sadly swamped in COVID-19 epidemic. It is still raging in many parts of the world and some countries are seeing a rebound of the virus

The pandemic's impact on the world socio-economy is devastating. It has significantly limited the flow of goods and people, while production and trade have slowed or even stopped, striking a further blow to the already fragile global economy

The spillover effect of the impact will be long-term and profound. To tackle the possible global recession, the global macroeconomic policies are shifting to quantitative easing around the world

We are witnessing rising unilateralism, protectionism, and headwinds against globalization, leading to growing uncertainty and volatility in global economy

Sino-US relations are facing the gravest challenge ever since 1970s. Trade disputes have turned into an ideological war, and so far there is no sign for seizing fire. It is likely to get worse before it gets better

Combatting COVID-19: Delivering Security and Reassurance



- “Only with conscience, we face daily lives” has been our motto
- We issued **23 booklets** of prevention rules and tips and achieved **zero infection** so far with **stable supply, quality and quantity** of daily necessary food and goods
- **At the peak time**, we provided **5 times more of food and vegetables** than what we do normally, plus **facemasks**: Only in Beijing, vegetable provided amounted 2,500 tons a day
- During the **COVID-19 explosion** in China, Wumart/Dmall created **6,200** self pick-up stations across China including **4,000** in Beijing
- They are based at community **centers and local convenience stores** (whose owners receive incentives per order) to deliver safe and sufficient goods to residents in **lock-down communities**
- Residents can pick up their online order in a few minutes. This also **increased delivery efficiency** significantly, as door-to-door home delivery moved forth to the self pick-up stations so **delivery workers can handle more orders** at a time safely



Our Innovation on Labor Sharing at the Peak of COVID-19 Crisis

Case 4: Partnering with other businesses to share labor

ChiSuper is a Chinese supermarket chain with more than 1000 stores across the country. ChiSuper faced a severe labor shortage in the central weeks of the Covid-19 crisis due to the high share of quarantined workers and the simultaneous increase in the demand for home-deliveries, which raised the need for operators in its stores. They decided to work with catering and cooking associations, whose operations were temporarily closed, to share labor with them. Instead of staying at home, the employees belonging to food services could decide to work for ChiSuper and return back to their original employers with a three-day's notice. At the peak of the pandemic, ChiSuper had over 1,000 employees from other catering companies who were allocated to different units such as logistic centers, food processing plants, and supermarkets.

- **Sadun, R. et al (June 2020)** Re-starting under uncertainty: Managerial experiences from around the world, **Harvard Business School**

Targeted Market Promotion: The Case of Moutai



Fixed-timeslot ordering window

Quota

Qualification

Order Online

Pickup Instore



- **Screening members** based on qualified purchases and shopping behaviors
- Each **qualified and loyal member** has fair chance to buy
- Rigorous process to **filter out market flippers** rather than genuine customers

Safety & Traceability: The Case of Star Farm

METRO
麦德龙



Follow the movement of a food through specified stages of production, processing and distribution.



Over **550** companies, **20,000** processing staffs, **30,000** farmers trained

Over 8,500 farm bases & factory assessed

Over 4,500 traceable products developed(3,100 SKU active)

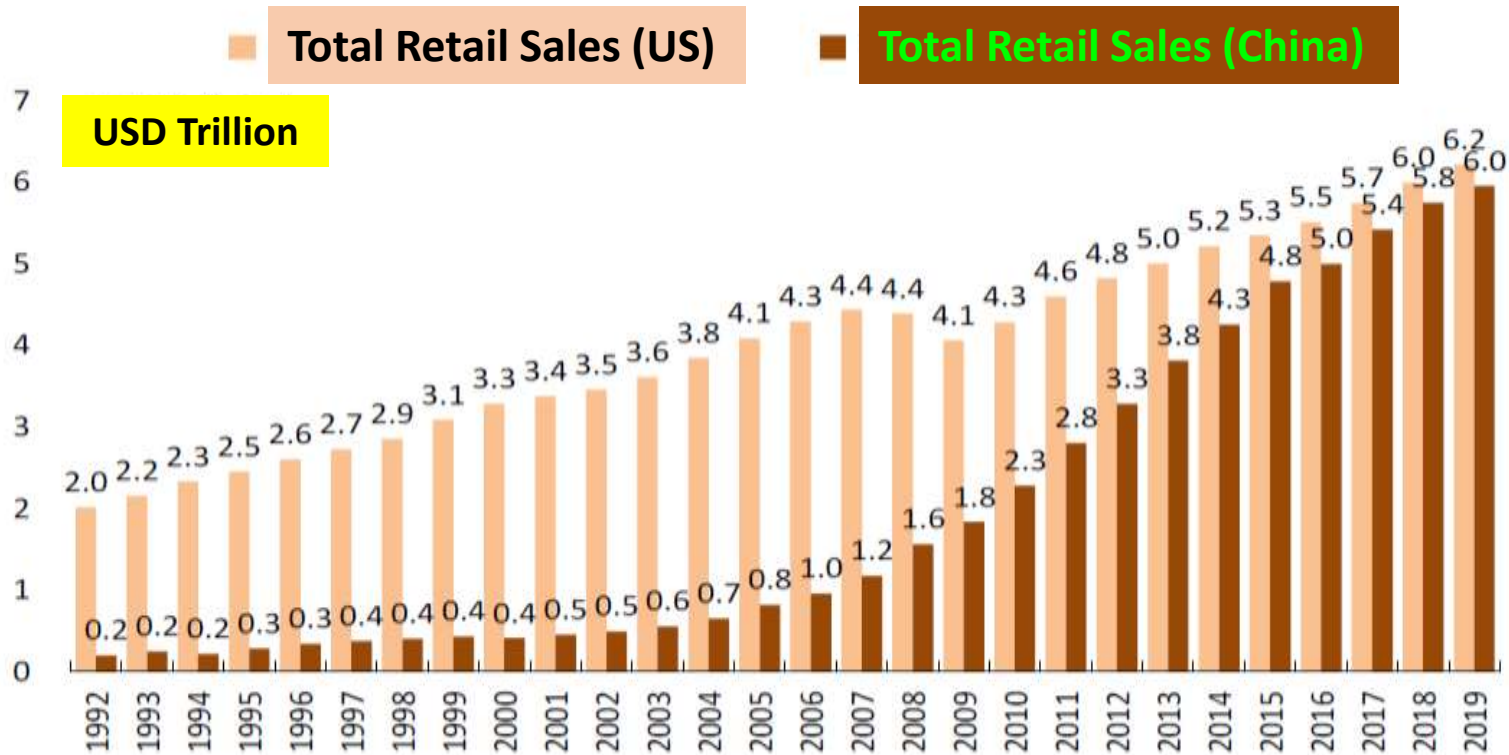
Benefits: Provide safer foods at reasonable prices for customers.



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Overview of Retail Sales in China and United States



CAGR

2015-2019

China

8.2%

CAGR

2015-2019

United States

3.8%

Source: National Bureau of Statistics, United States Census Bureau

- China retailing industry is far fragmented compared to the United States, that **middle- and small-size retailers** are the major part of China retailing industry
- As of 2019, top 10 retailers contributed to a total market share of **24.2%** by retail sales in the retailing industry in the United States, compared to the market share of in China of **1.5%**
- **Dmall + Wumart + METRO model** has proven: with our strong **consolidation capacity** and our unique way to **combine warehouse and stores (“double-use”)** in our digitalization process, we will continue to embrace further consolidation on they way... 31

Conclusion: Embracing Digitalization and Further Consolidation

- **The era of mobile Internet and AI technology make joint procurement and digital driven supply chain possible, and promote large-scale consolidation opportunities**

Dmall + Wumart + METRO model have stepped out of a road of Chinese retail enterprises embracing the Internet and comprehensive digitalization, and have achieved initial results in strong organic growth and post-M&A integration and synergies building.

Our digitalization strategy has enabled not only **hundreds of chain retailers**, including Wumart itself, with improved efficiency and revenue, but also created more convenient and satisfactory **omnichannel shopping experience** for millions of customers.

In the future, China will surely produce a 100 billion dollar sized retail consolidator. Our belief: Only enterprises with scale can truly have sustained innovation ability, implement high standards of food safety, operate efficiently and achieve economies of scale.

Embrace Digitalization...

...Return to the Business Essence

Thank you!