



VALÉRIE KAMINOV – BIOGRAPHY

Having spent over twenty years working with a vast array of luxury, premium and niche beauty brands and fragrances, Valérie has extensive knowledge and practical experience of their supply, distribution and retail, pertinent commercial practices and consumer habits on a global and local basis.

Her expertise has been highly valued by multi-national organizations, SMEs, start-ups, privately owned companies and financial investors.

Certified in Corporate Governance from INSEAD Business School, Valérie has the remarkable ability to successfully set the company's strategic direction, often across diverse product markets and geographies, and monitor the firm's risk profile.

As a qualified Non-Executive Director who was awarded the prestigious Financial Times Post-Graduate Diploma, Valérie Kaminov is highly trained in corporate governance and is an experienced NED and Director enabling her to have a holistic understanding of boards.

She advises both as a consultant and an NED. Valérie's experience earned her a reputation with major players in the industry who hired her to establish them globally.

Her expertise in brand evaluation, acquisition due diligence, risk assessment and commercial growth has been highly valued by Private Equity Funds, multi-national organizations and financial investors.

She is also dedicated to passing her knowledge along through a range of conferences and events.

Valérie has been a guest speaker for the not-profit organisation, CEW, at their Mentoring Services where leading executives offer insights into beauty industry issues and inspiration for professional growth.

At the International Manufacturers & Distributors Forum (IMF) Master of Ceremony, Valérie organises a very unique conference; A global European gathering for manufacturers, brand owners and distributors to come together and discuss challenges faced by their business and the industry by giving the attendees unlimited networking opportunities.

HOW TO SUCCESSFULLY MARKET TO CHINESE BEAUTY CONSUMERS?

The future success of a business depends in part on its ability to continue to expand in the developing markets. There currently isn't a larger market than the Chinese market. China can be a major battleground but it can also offer huge opportunity, if dealt with successfully. In other words, China might just be one of the largest untapped and undiscovered treasures in the world. What was once known as the land of cheap rip-offs has now become a guide to the future. For many reasons, it is extremely difficult for Western companies to operate in the Chinese market in the same way they do back home. In fact, in most cases, China often presents high risks and stories of failure are more frequent than successful ones which is why many firms decide to stay out of this highly complex market. Understanding a market is key to making a success of your story, so here are a few tips that will help you and your business navigate in clearer waters and avoid pitfalls when expanding into the Chinese Market.

1. CROSS BORDER E-COMMERCE

Nearly 690 million Internet users (as of December 2015) and 700 million smartphone users are the foundations of the Chinese online community, which provides the industry with ways to identify and meet latent consumer demand. All 467 million of China's existing online shoppers spend around US\$1,300 a year each on e-commerce, representing over a quarter of average disposable income. The average spend per customer is expected to grow further at a rate of 10% CAGR between 2016 and 2020 as household income continues to rise and consumers begin to buy into more categories and purchase more branded goods.

New trends are reshaping the consumers purchasing habits. They are driven by the rapid take-up of e-commerce, the increasingly important role of social media, the development of digital payment platforms and the increased use of smartphones and mobile devices. By 2015, e-commerce transactions reached an outstanding US\$540 billion which equated to a total of 7.5% of all retail transactions. By 2020, China's e-commerce market is forecasted to be larger than those of the US, UK, Japan, Germany and France combined. 12% of all online spend in China is on cosmetics and beauty products.

The internet is increasingly becoming China's number one destination for sales, e-commerce is advantageous for both the customer and business owner. In fact, when a foreign business wishes to expand into the Chinese market, there are different business models available, the easiest one being to sell through third party Chinese e-platforms. In other words, being able to reach the Chinese online shopper without having a registered business in China.

In 2016, the market share of TAOBAO+TMALL accounted for around 60% of all online beauty market shares. From this, we can observe that TAOBAO+TMALL play a dominant role in the Chinese online market. At International Luxury Brand Consultancy, we know that choosing the right platform for your business can be a tough decision, especially if you are navigating in unknown waters.

We work with our clients so that we can provide them with clarity backed up with years of experience, expertise and knowledge. With many years of experience under our belt, we have put together a selection of platforms and strategies that we class as the best when wishing to expand into the Chinese Market:

TAOBAO and TMALL are the 12th and 30th most popular websites in the world, respectively. They sell C2C and B2C and are owned by the tech giant Alibaba, with over 400 million active buyers. On both platforms, customers can choose from a wide variety of high-end brands such as Dior, Shiseido, Chanel, Bioderma and many others. TAOBAO and TMALL have registered a gross merchandise volume of RMB 3 million in 2015 alone and are continuing to grow as time goes on.

about brands, Chinese consumers spend most on WeChat, as social media platforms such as Facebook and Twitter are banned. Since its launch five years ago, the digital platform WeChat has become more than a messaging platform. Amassing nearly 700 million monthly active users and achieving ubiquity in China, the platform is the must-have digital marketing tool for any beauty brand wishing to be successful. But what exactly is WeChat?

WeChat is an all-in-one mobile app. It's basically your Skype, Facebook, Twitter, Uber, Instagram, Snapchat, Venmo, Youtube and Amazon all-in-one. But it also does offer other services that we, in the West, do not know of. There are hospitals who have built-up booking appointments systems and heat maps showing how crowded a place is. The list could go on forever. But it's not the variety of services offered to consumers that makes WeChat so powerful, it's the fact that they are all in one single app. You might be wondering why does all that matter? Let's take a very concrete example. One day, you notice your dog is dirty. You open WeChat, hit a few buttons and a few hours later a man shows up at your door with shampoo and a dryer. It looks great so you decide to take a photo and share it with your friends and tag the dog cleaning business. And, you still haven't left the app! Your friend sees the post, she decides she wants her dog to get

a haircut too and calls the same man. A few seconds later, the second dog is clean and your friend has paid the man on WeChat. And, once again, neither of you have left the app. You guys chat and decide to get food together. She orders the food, you order a taxi. At the restaurant, there is no cashier. You pay through WeChat. Meanwhile, the man who cleaned both dogs has decided to invest the money he earned in a risky wealth management product and none of you have left the app. This could go on forever. All this has happened without any of you leaving the app. In other words, you can do anything on WeChat. It's no longer just pictures, videos or tweets that can go viral: all sorts of companies and products that are on the app can.

WeChat not only enables users to connect with their friends in multiple ways, including via online posts, voice chat, conference calls and group chat but it also helps brands communicate and promote their products more easily. The app greatly help brand awareness and direct interaction. As of 2018, 96% of brands who have decided to enter the Chinese market have a WeChat account whereas two years ago, only 30% did. Ever since WeChat became one of the most powerful communication platforms in China, brands have been frequently using blog posting to interact with their audience. This one-sided, content-



2. HOW IS WECHAT CHANGING THE WAY BEAUTY BRANDS CATER TO THE CHINESE MARKET?

With more than 460 million people shopping online last year alone, racking up US\$750 billion in sales, China is, without a doubt, the world's largest e-commerce beauty market. Whilst there has been concerns of a slack in the market, online retail growth is expected to carry on growing at 23% CAGR between 2016 and 2020, a figure nearly triple the growth pace of offline retail. But beware: new shifts have transformed the way Chinese consumers buy online. Extremely digital savvy and increasingly knowledgeable

What's WeChat?
WeChat is a smartphone application that consists of...

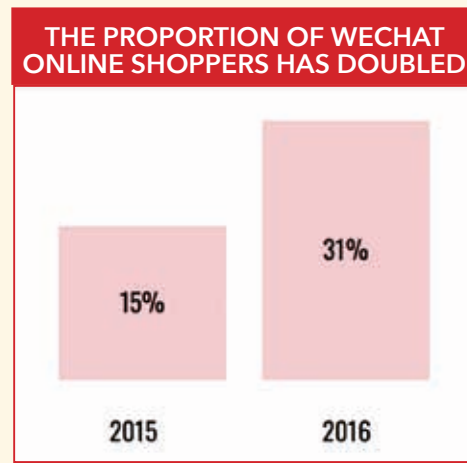
- Movie ticket
- Bill payment
- Free calling
- Investment
- Social network
- Mobile payment
- User review
- Group buying
- Taxi order
- Free messaging

WeChat is basically you're Skype, Facebook, Twitter, Uber, Instagram, Snapchat, Venmo, Youtube and Amazon all-in-one.

dominated method of communication has helped many brands grow their number of followers and raise brand awareness among Chinese consumers, especially when starting out in the market. However, there seems to be an emerging trend suggesting that content alone is no longer as important as it used to be, leading beauty brands to use alternative methods to drive engagement. From a one-sided, brand-directed conversation to a more interactive, one-on-one communication tool, the change of users' preference along with the evolving platform itself has shaped WeChat's new identity—a central hub that encompasses customer relationship management (CRM), e-commerce, online-to-offline (O2O) and more. In fact, over the last two years there has been a drop in post viewership, but with the overall level of engagement between brands and customers on the app still being able to increase. Effective methods range from sampling campaigns and live-streaming events, to daily check-ins, loyalty programs, and gamification.

WeChat is an absolute must for beauty brands, especially has the complexity of Asian beauty rituals keeps growing stronger, usually comprising about a dozen steps. Such a complex routine leads to consumers allocating a lot of time to getting information about the products and how to use them. Word-of-mouth is inevitable. In such a context, the role of WeChat is increasingly important. The app, who already has about 700 million + users, is set to grow from another 39% over the next year. In August 2015 alone, between *likes* and *shares*, beauty brands in China achieved an engagement rate 200% higher than other sectors, including fashion, hospitality and sports. In other words, word-of-mouth is essential in China in helping through the complex decision making process and this is even truer when it comes to beauty products. WeChat function of *likes* and *shares* within friend circles makes the app an extremely effective marketing tool. Customers can now talk to official

accounts, increasing engagement rates better than any other social media platforms. On Facebook and Instagram very often the conversation is one way. Moreover, WeChat easy of payment enables an extremely easy and seamless shopping experience. Cosmetics, skincare and perfumes are amongst the goods most frequently sold online and they fit perfectly with WeChat's features. However, as of today, only 20% of beauty brands offer in-payment on the app which gives you the great opportunity to stand out.

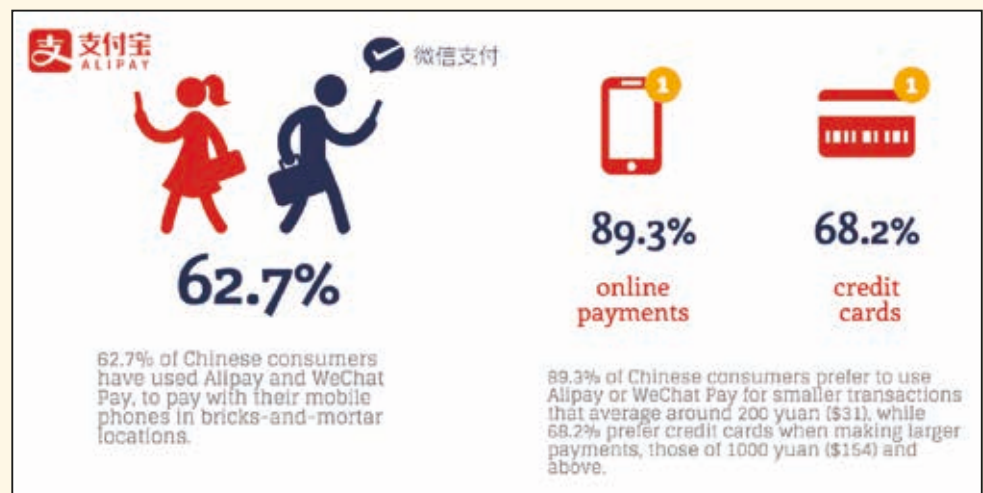


Benefit has become the most popular cosmetics brand bought online in China thanks to its WeChat store. In addition to the latter, the brand sells online in China thanks to cross border e-commerce platforms such as Jumei.com or Tmall.com and a store on WeChat. The brand also has its own website that is not designed for sales but to inform customers about the products.

The company has also formed a partnership with Alipay, the digital payment system mainly used in China, in order to give clients the possibility to pay easily through their phone and without entering their credit card details. Clarin's has also become an all-time favourite and this is mainly due to its strategy that blends sales through distributors across Asia and sales through platforms like WeChat. Another major key factor explaining Clarin's big success on the Chinese market is the opportunity they offer consumers to try products before they buy them. For each marketing campaign, there is an online sampling initiative where people have to register on the brand's account on WeChat. After that, they can collect free samples at the store of their choice and benefit from the advice of the in-store specialists to learn how the products should be used. In this case, WeChat has helped re-inventing the direct sales business model.

Among other interesting features that can be used by brands on the app, you have:

- The creation of customized menus to show customers your brand personality and DNA and hence differentiate yourself from the plethora of competitors.
- The creation of loyalty programs easy-to-access for customers to benefit from special promotions, discounts and/or exclusive personalized content.



Forming partnerships with AliPay or WeChat Pay can be extremely beneficial for brands (e.g. Clarin's) Source: TMO Group (2018)

- The insertion of special links that redirects your customers to customer service.
- The creation of gamification to entertain clients during their commute or free time.
- The insertion of links to your store on other Chinese platforms and marketplaces and/or stand-alone e-commerce website.

In other words, WeChat offers one-of-its-kind services to beauty brands that the latter cannot simply ignore. WeChat offers:

1/ a large customer base: beauty products have relatively low price points per unit, which, by nature, results in higher consumer demand. Consequently, purchases of beauty products occur more frequently, making it easier for beauty brands to collect customer information and build sizeable CRM databases to work with.

Now, how does having larger customer base help beauty brands better their WeChat strategy? Most beauty brands' WeChat official accounts are bound to their CRM database, allowing their WeChat followers to bind personal information such as phone number or email address through WeChat official account. For example: By binding CRM, a brand can identify its WeChat followers in its CRM database and gain insights such as customer behaviour, preferences, influence among peers, and even transaction history.

2/ the ease of product trial, a typical customer decision making process: during the active evaluation stage, consumers gather as much information as possible to retain or eliminate potential brands to purchase. For beauty brands, product trial is an essential part to the consumers at this stage. Instead of having to visit an offline store to try on a piece of garment, free beauty product samples can be delivered straight to consumers' doorsteps. Hence, beauty brands often utilize WeChat campaigns and events to give out free product samples.

3. WHAT ABOUT ANIMAL TESTING?

Many brands have been reluctant to sell cosmetics, skincare and perfumes in China's \$60 billion beauty market not only because of its bad reputation for allowing the sale of poor-quality products and fakes but also for its heavy animal testing regulation. China remains today one of the last country to require cosmetics to be tested on animals by law, a mandate that puts off many consumers and can harm even non-Chinese sales. The rule applies to all imported cosmetics and covers everything from sun block and skin whitener to deodorant and hair dye. The European Union banned animal testing as of 2013, and other countries, including India, Israel, Norway and Switzerland, have similar laws. China has been under scrutiny by shoppers worldwide but the country historic turning point to move away from animal testing could be a major incentive for brands who wish to enter the market. Helped by non-profit organizations and cosmetics companies, China is currently training its scientists in substitute methods by introducing the use new technologies.

In 2014, the Chinese Food and Drug Administration said it would start educating and training provincial labs in alternative testing methods. The same year, China waived animal testing on

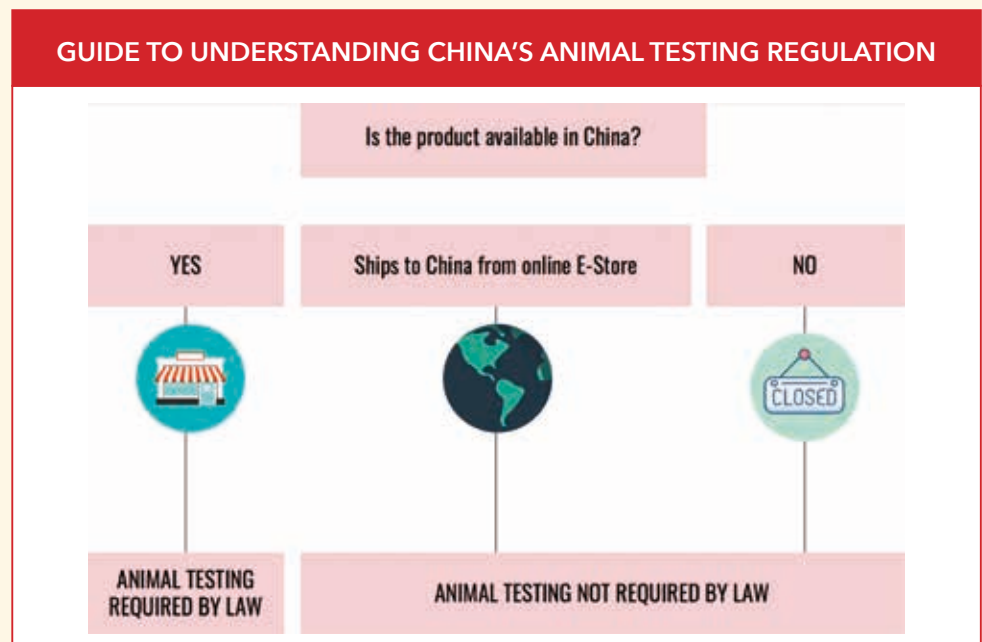
domestically produced non-special-use cosmetics, like nail care and perfumes. Two years later, China's Zhejiang Institute for Food and Drug Control opened a lab in collaboration with the Institute for In Vitro Sciences, a U.S. non-profit research and testing laboratory based in Gaithersburg, Maryland, that has been training Chinese scientists in tests using reconstructed skin cells. Amanda Nordstrom, company liaison for PETA's Beauty Without Bunnies program, says she is optimistic the Chinese government, with the help of the Institute for In Vitro Sciences, "will end its requirements for tests on animals for cosmetics in near future."

4. HOW CAN YOU ATTRACT CHINESE CONSUMERS INTO YOUR STORE?

The use of digital marketing is an essential tool to increase a customer's first-class experience.

The brand must be able to develop and innovate the "digital frame" by ensuring alignment between brand and social strategy.

Where before luxury brands used physical stores mainly to sell products, they now aim at designing multifunctional, controlled spaces to create brand experiences and communicate brand beliefs. These stores function almost like religious temples.



Easy guide to understanding China's strict regulations as of 2018

USE OF SMARTPHONES IN PHYSICAL STORE



Smartphones are increasingly used in the physical point of sale to complete a purchase. In the US, 40% of the panel interviewed by Havas media said they use their mobile to compare prices, 40% of the Chinese to buy the product at a cheaper price on-line; while Europeans remain the most reticent, with 28,3% claiming they don't use their phones at all while shopping (phones are used as a post-departure feature of customer experience in luxury: the salesman and the customer can keep in touch via Whatsapp or WeChat).

The vast majority of clients declare that they know exactly what they want before entering a boutique to purchase beauty good. This is particularly evident in the Middle East (64%) and China (78%) where customers are very clear about what they want to buy, collecting product and brand information prior to visiting the point of sale for the purchase. Online platforms provide them with practical and personal advice on new trends and seasonal must-have products related to their age, profile, and taste. But social platforms are not the only way to attract Chinese consumers. As Travis Kalanick from Uber said "China is so different from the rest of the world. You must come humble if you are not from China". The country is such an important strategic move, you cannot afford to lose it. Yet, entering the market in China means crossing paths with unique difficulties including product

localization, competition, regulation. Even if you decide not to enter the Chinese market directly, remember that China will become the biggest country in terms of beauty products consumption by 2020. It is therefore essential to cater to the Millennials and Generation Z, who will become by 2025 the biggest luxury spenders in the world. Beauty is hard to sell in the sense that unlike Fashion, consumers are not intrigued by the brand alone anymore and cannot feel the product as one would do when touching the fabrics. Experiences are essential: brands must offer unique services, unique rituals because luxury customers are seeking for the "wow factor". In other words, they want their senses to be dazzled.

This means that brands should put a strong emphasis on storytelling, merchandising and continuous training of salesforce. Digital will transform the way customers shop. Chinese consumers are extremely digital-savvy. The fast development of the internet and social media mean that Millennials now have access to new sources of information that has helped them build their own mind-sets. Consumers used to heavily rely on word-of-mouth, wanting to try products that their friends and family recommended. However, mindsets are rapidly changing. The Chinese youth wants to go online to have fun and to get a better insight on what's going on in the outside world. Internet is an extremely useful tool when going through the various steps of the decision-making process, making it easier to find pre-purchase information searches and product comparisons. Sharing product experiences with others is also important and plays a great role in the purchase decision process. The online channel grew at an impressively fast rate, driven by the high growth of cosmetics with the overall online penetration increasing by 15% for beauty brands last year alone. This means that there is an increasing need for brands wanting to succeed in China to heavily invest in digital marketing and particularly WeChat, a great platform to connect and engage with consumers on an emotional level.



The modern customer journey has become extremely complex - WeChat is a great platform to connect and engage with consumers along every step of this complex process



The digitalization of the physical store will also be a key factor in capturing the share-of-wallet of Chinese consumers

The digitalization of the physical store will also be a key factor in capturing the share-of-wallet of Chinese consumers by offering a seamless customer journey and by allowing them to purchase products without even needing to take their wallets out anymore. Incorporating technology in the display would especially appeal to younger audiences and provide them with a whole new level of personal customer engagement, such as having iPads built into the unit to demonstrate the products in an innovative and interactive way through video or having QR codes on the displays that once scanned would send the customer directly to the brand's official website to know more about the given product. For example, Yves Saint Laurent Beauté corners are always enlivened by LED screens showcasing each skincare or cosmetics line, what their benefits are, the different ads (Paris 8). Chanel stores have iPads that are available to clients to look at the different collections,

to choose a specific product or discover new ones. This strategy is useful in helping customers make their choices especially if the store is overcrowded and the Sales Associate is not available right away. Entering the Chinese market can be extremely tough for many reasons, one being the highly complex political and financial structure of this market and in turn, the country. However, China represents an exciting opportunity that brands just simply cannot and should not ignore. Foreign companies need to understand from the very beginning that Chinese customers' tastes greatly differ from Western ones and therefore they will need to adapt their products and services to meet the specific needs of the Chinese consumer. As they continue to spend more, it seems very likely that Chinese consumers will broaden their patterns of consumption which are currently limited by the quality and variety of Chinese goods and services at their disposal.

In fact, a shift in preference from mass to premium products is being observed in the Chinese consumer as their appetite for luxury and sophisticated brands increases. Foreign brands are considered of better quality than the products made locally. Moreover, the Chinese population has an ever-growing interest and demand for luxurious and sophisticated brands. The country remains a pioneer in experimenting with digital services and customer engagement. It is therefore essential to target the Chinese consumers, as they are expected to become the biggest international luxury spenders by 2020, surpassing the USA and Europe. To be successful, brands will have to continue increasing their digital investments, creating unique local digital tools for their shoppers. As Chinese consumers are extremely savvy, the brand story - to go viral - should be spread on the social media platform WeChat. The latter's popularity in China has made it the most important platform to engage and attract Chinese consumers. It is therefore necessary to communicate through WeChat if you want to reach the Chinese market. WeChat helps to improve users' experience and promote loyalty. In cosmetics, brands can give sample products to potential customers, they can easily let people try the products and thus improve the trust consumers have on your brand. Besides sharing photos, videos, product trial reviews and promotional messages to their followers on WeChat, lots of brands offer free samples for users to collect in store, and these incentives increased loyalty and secured a better level of commitment than in other sectors. With the right strategic plan and if your brand is able to build a compelling reputation and a memorable story, to offer sought-after star products and exclusive limited editions, China could be the next stop on the agenda for your brand.