

Learning and Re-learning in China: \$ Q , Q W H U Y L H Z Z L W K & (, % 6 Alum David Sancho

In this excerpt from our CEIBS Executive Lounge video series, Professor of Management Juan Antonio Fernandez talks with former Mango CEO East Asia & India and CEIBS

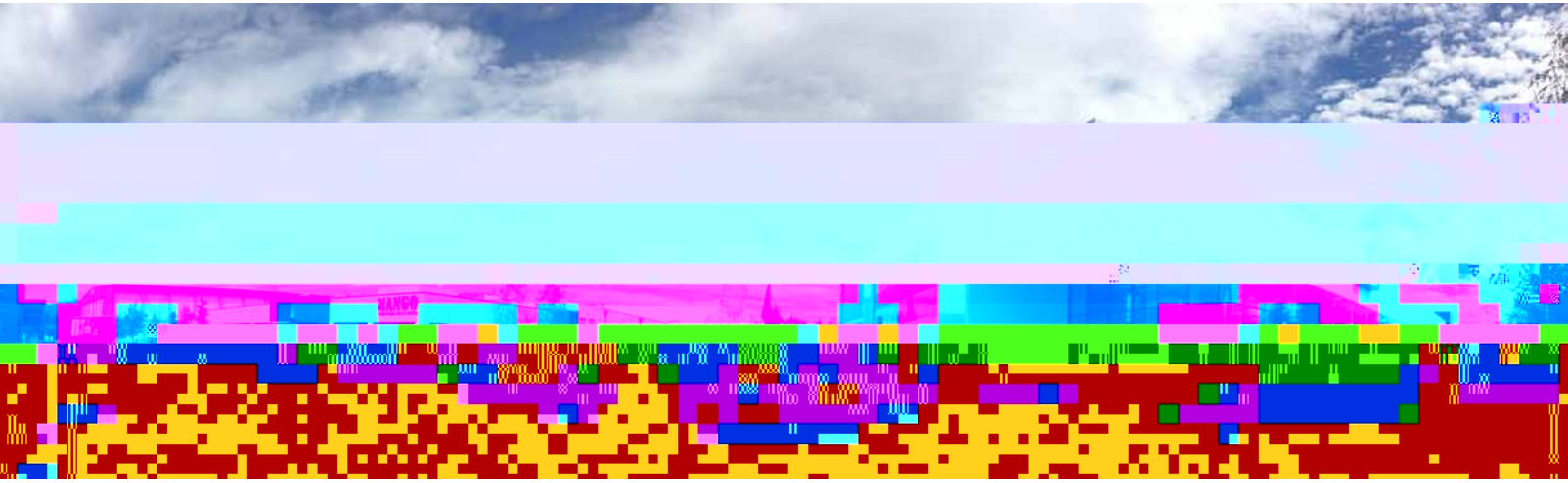
* O R E D O (0 % \$ D O X P ' D Y L G 6 D Q F K R D E R X W D G M X V W L Q J digital and fashion industry skills for MBAs.

Professor Juan Fernandez: You have a long experience in China, you were like a pioneer and you opened Mango's operations here. You told me before that you had to re-learn a little bit about this re-learning?

David Sancho: When I first came to China, it was really harsh learning. I came from Spain, it was my first time in China, I came with my own set of tools that were very successful in a western setting, and I thought that these tools would be applicable here. I came here and it was really a big shock to learn that they were not applicable here as China has a huge market but with its own nuances, challenges and reset myself – to clear everything from my mind – to make sure I was eager to go to my second step, which was to learn apply what I had learned in the second step. So, relearning, for me, was critical.

Prof. Fernandez: How long did that process take?

David: A thousand days. Three years, basically. I say 'reset' because you need time to understand you're not doing the right things. That takes time and courage because you come



Prof. Fernandez: Mango is a global brand and you have operations in many countries in the world. How has the digital transformation impacted your business?

David: We have used technology and supply chains, to convert our physical stores into digital warehouses where we can serve our customers from the store to their home and then try to optimise the last mile. The second thing which is happening in the fashion world is the changes in the supply chain. There was so much investment in infrastructure, but now these capabilities are allowing us to serve customers in China in less than 48 hours.

Prof. Fernandez: As new Chinese brands are emerging and even becoming global, is there still room for foreign brands in fashion in the Chinese market?

David: Absolutely, I don't see any global brand that can say, "I'm global," and not be in China. For me, that isn't something that is possible, especially with China now being one of the leading markets in the world, and competing against the US from the stand point of who is going to take the biggest market share. But, as a brand, when you plan to come to China, you need to plan and have a clear strategy. To come to China isn't just to open a little store, put in a little bit of money, and try to get an ROI. It means, economic commitment, resource commitment and patience.

Before [answering the question], "Should I go to China?", [you need to ask yourself], "How will I go to China? Do I do it on my own? Do I do it through a master franchisee? Do I look for a JD partnership?" There are a lot of possibilities and I think planning ahead is critical to be successful in this market.

Prof. Fernandez: You mentioned earlier this combination between digital stores and brick-and-mortar stores. How does this combination work in your case and what is the trend?

David: The trend, due to COVID-19, as well, is accelerating very rapidly the transformation away from offline – which, for me, now has to have a reason to exist, even if it is as a showroom for customers to go there to touch and play. Either that or it is a place that can serve as a digital warehouse that is very close to your customers where you can optimize last mile delivery. But the rapid evolution of the online world started with T-mall back in 2009. When we look at the numbers that 11-11 is delivering against Black Friday, you can see that this is a very exciting time. It is really exciting for me to be here now in China and to understand that what I'm talking with you about now may be three years ahead of what is happening in Europe. So, what I see with T-Mall now and what is happening here is WeChat,

Prof. Fernandez: You mentioned that China is three years ahead of Europe and many other countries in the world. Do you think that Europeans and Americans are aware of the transformation that is coming? Are companies preparing for that?

David: That is a tricky question. China has a unique digital ecosystem which is completely different from the western world. If you compare social media, we have WeChat here, you have WhatsApp in the west and both systems are not complementary and can't be combined. So your strategy in Europe can't be replicated in China. So, even in China, even