

# Learning and Re-learning in China: An Interview with CEIBS GEMBA 2012 Alum David Sancho

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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 Global EMBA 2012 alum David Sancho about adjusting to work in China, the impact of digital and fashion industry skills for MBAs.

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**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 lot of things when you first move to China. Can you tell us 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 differences. So, my first step was to understand that I had to reset myself – to clear everything from my mind – to make sure I was eager to go to my second step, which was to learn again. And, that led me to the third step, which was to finally apply what I had learned in the second step. So, relearning, for me, was critical.

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**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 from a place where you were applying things successfully and it takes a moment to understand that it isn’t working here and then takes time to reflect, understand and then act or react. And the only way to act in China, for me, was to learn from the culture and the country and then to apply new tools.

**Prof. Fernandez:** Can you give us an example of something you had to relearn?

**David:** One thing that for me was amazing came from the CEIBS module about HR. In Europe, the tendency is that some companies are more vertical. Here, I discovered the importance of getting a powerful local team that allows you to execute in a successful way. This takes not only skill-sets but also finding the right people with right mind-set that combines with the DNA of your company. And, most important, to empower them. So this was the re-learning process, not just me coming here to say what you have to do, but me coming here to establish the right team that could execute correctly for this market.

**Prof. Fernandez:** And, you have to spend time in maturing them and developing them.

**David:** Yes, that was super important. You have to build a trust that is completely from different culture.

**Prof. Fernandez:** How fast did they adapt to the culture of your company?

**David:** It takes time. It is not a plug-and-play solution. You [can’t] just come and explain what your company is about and they do it. Something I’ve learned, as well, is the art of listening. You need to really employ a lot of time to understand

questions, understand the value [your employees’ bring and] their view of the market. These are big topics when you are coming from one market to a new market. And it takes time to adapt to others and not [expect] others to adapt to you.

**Prof. Fernandez:** Do you think Chinese consumers have developed a unique fashion identity?

**David:** The change in consumer behaviour has been, to me, dramatic in a positive way. When I first came to China in 2006, I was just discovering this market. Back then, as brands, we would try to influence the trends and styles that customers in China should wear. We were using magazines, fashion shows push a way of understanding fashion as the correct one. And, then we would try to sell whatever we had. [Since then], I have seen a dramatic change. The first one is that Chinese consumers started to travel a lot and [learned about] what was happening in France, Italy, Spain and the US and to develop their own understanding of what fashion is. The second thing is technology. China is now one of the leading markets in terms of tech. And it brings the customer amazing things like transparency and information. The third thing is the local brands. When you look at the pool of brands which are the top sellers, they have a big portion of the market.



*Professor of Management Juan Antonio Fernandez talks with former Mango CEO East Asia & India David Sancho (GEMBA2012)*



**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:** It depends on the market. We combine offline stores and online stores, using 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. Specifically in China, ten years ago, I didn't understand why 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 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 you will I 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 that 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 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 transformation in China has been happening for the last five years. 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, TikTok, social selling – there are a lot of new players in this unique ecosystem just appearing that are pushing the way of online channels versus offline channels.

**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 though it is leading the path of what is going to happen in the future in Europe, it is hard for a lot of European companies to understand that this is going to happen in their existing ecosystems because they are not present yet in China, or they haven't developed these capabilities yet here to be able to embrace it in Europe more rapidly.

**Prof. Fernandez:** From the consumer's point of view – the European consumer – in the aftermath of COVID-19, do you think that this process will accelerate? Are consumers getting used to online ordering?

**David:** For sure, we have seen that trend. I don't think it is just because of consumption behaviour. It is because the evolution of tech is going so rapidly, that for us as human being it is sometimes difficult to forecast because we try to forecast linearly, but then the evolution of tech is so rapid that it is impossible for us. So the adaptation to the new world – it is here to stay.



**Prof. Fernandez:** Finally, thinking of the fashion industry as a potential employer for MBAs, what type of characteristics you look for in the talent that you hire?

**David:** First, if they do an MBA at CEIBS, they get amazing skills which now in the current state of the business industry, due to digital information, are needed more than ever. So, with all these new skills, I think it is the best time ever to enter the industry, because they have tools we don't have at the moment. Second, they have the 'China depth,' so they have a lot of things to offer companies. In the fashion industry, for MBA students, they can enter by joining companies like Mango or other big players that have been using data for ages. But, now, with technological disruption, there are so many ways that they can enter the fashion industry with creative start-ups disrupting the supplying chain by adding some technology that may enhance any part of what we are doing. So, with the tools they have I think it is up to them to enter the industry. In terms of capabilities, I will say it is about having a positive attitude, a keen ear to learn and the will to go and conquer.

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*Juan Antonio Fernandez is a Professor of Management at CEIBS and the co-author of a recent book entitled China CEO II: Voices of Experience from 25 Top Executives Leading MNCs in China.*