

Fusen-Noble House

Digitalization Strategic Plan

2020.12.19



Executive Summary

Industry Overview

- **Rising store vacancy rate**, especially affected during COVID-19
- Traditional businesses **challenged by online competitors**

Customer Analysis

- Incline to acquire information when furnishing **through online channel**
- Higher demand for **customized product**

Company Profile

- RSM has **healthy financial performance**, and capable of investments
- Currently **limited technological adoption**

Digitalizing strategy led by the mission of “**lifting selling and purchasing experience**” for FSM’s local development

Elevating management efficiency

- ▶ Tenant Management: Select appropriate tenants and adjust rent according data analysis by ERP
- ▶ Tenant Empowerment: Operate **private traffic** based on AI analysis to integrate current resources and reduce risks

Redefining Customer Journey

- ▶ Redefine the traditional “Awareness–Purchasing – After Sales” Model
- ▶ Acquire user information, analysis the profile, and provide **unique customer services** based on Big Data and AI

Expanding New Business Line

- ▶ One-stop furnishing: Apply **3D design cloud and project cloud**
- ▶ Open up new business lines for achieving sustainable revenue growth for the future

1. Optimizing **operation and management efficiency**

2. Enhancing **business services and FSM branding**

Achieving financial growth and increasing profits

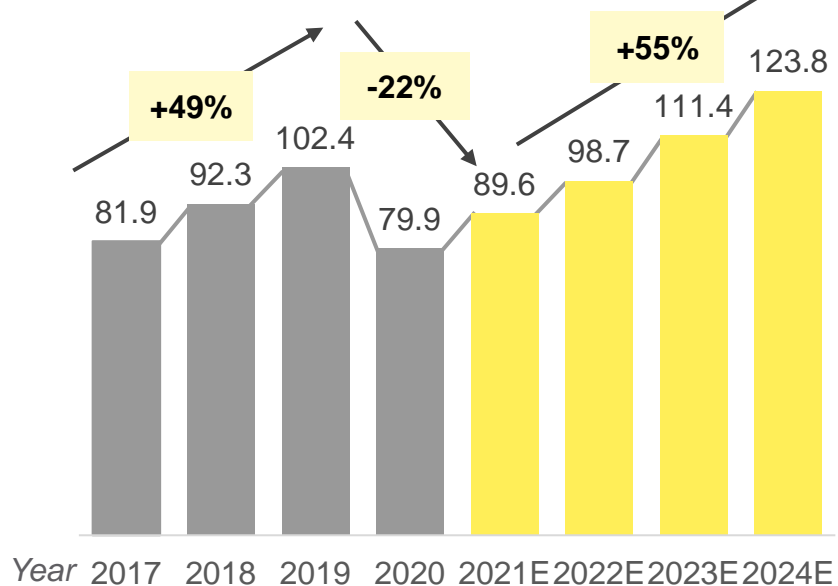
Agenda

1. **Market and company analysis**
 - I. Challenges and key drivers
 - II. Digital business models
 - III. Customer analysis
 - IV. Company profile and analysis
2. **Strategy design**
3. **Implementation**

The real estate industry has been hit due to COVID, however is also welcoming its opportunities triggered by increase in income, and population structure

Market

China Commercial Real Estate for Furniture Stores (Bn RMB)

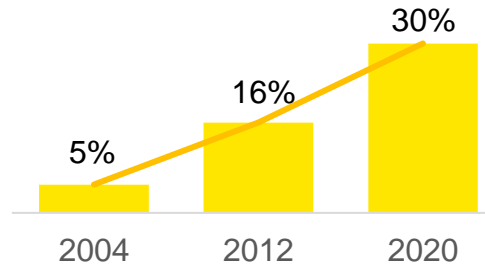


Sudden shock, due to COVID-19 in 2020, but is expected to **grow positively** in the post-COVID-19 period.

Challenges

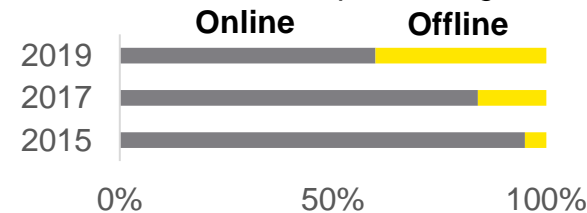
1 Increasing of store vacancy rate

Average store vacancy rate in China:



2 Rise of customer acquisition cost

Channels for customer purchasing:



3 Prioritized online shopping in post COVID era

MyHome Tmall and its online supporting platforms

天猫家居
MYHOME.TMALL.COM

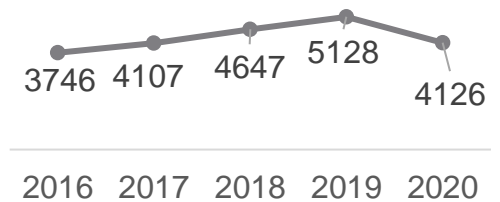
Platform



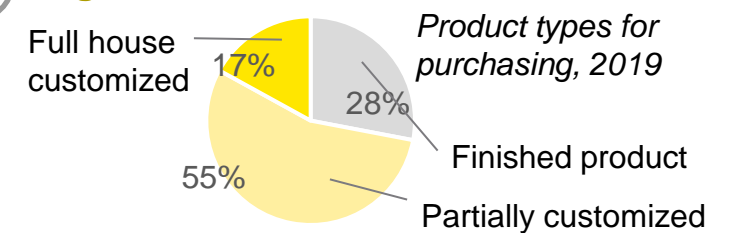
Key Drivers for Future

1 Higher Income

China Per Capita Consumption Expenditure for residential products, RMB

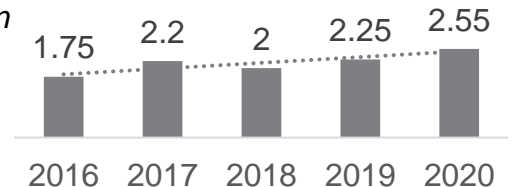


2 Higher demand for customization



3 Increasing of marriageable age population

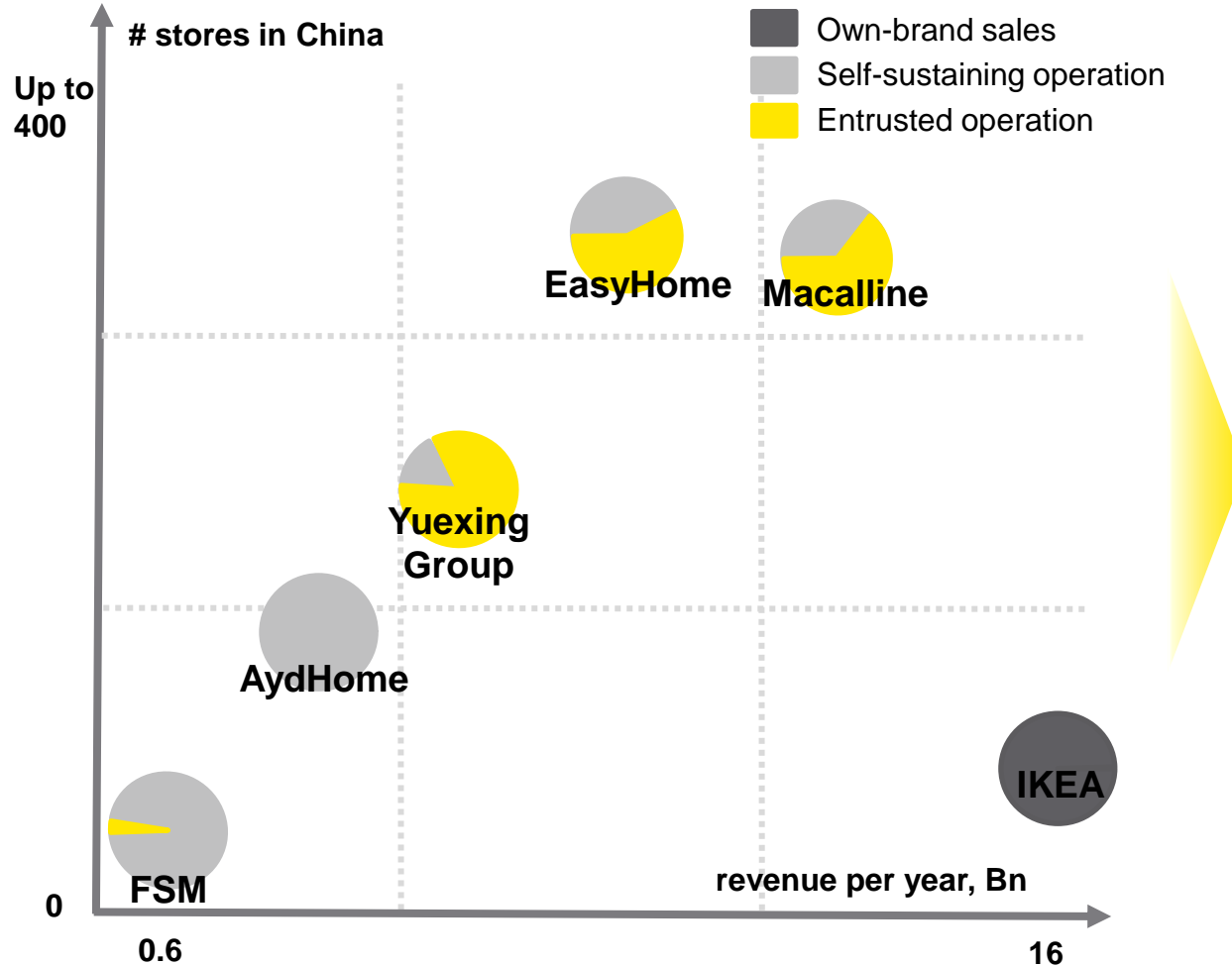
Population aged from 20 to 30 in China, Bn



The competitors has adopted various digital business models for internal and external management

1

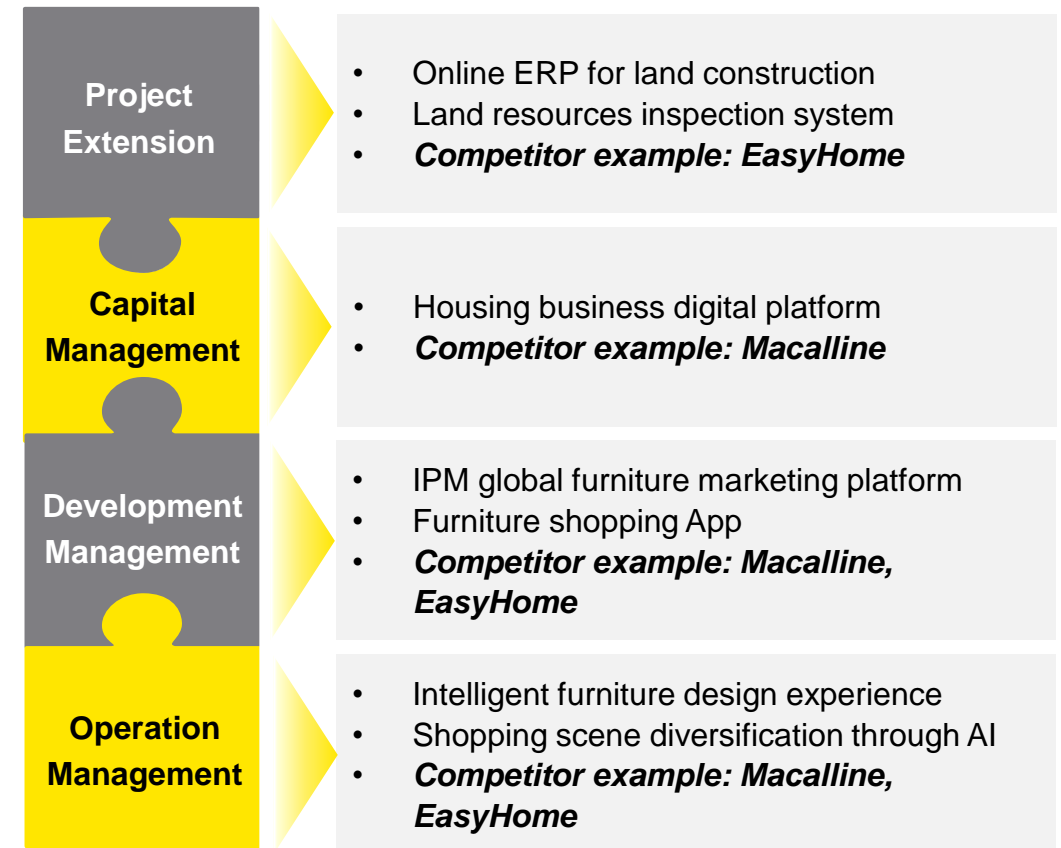
Self-sustaining operation and entrusted operation are two main business models in the market



2

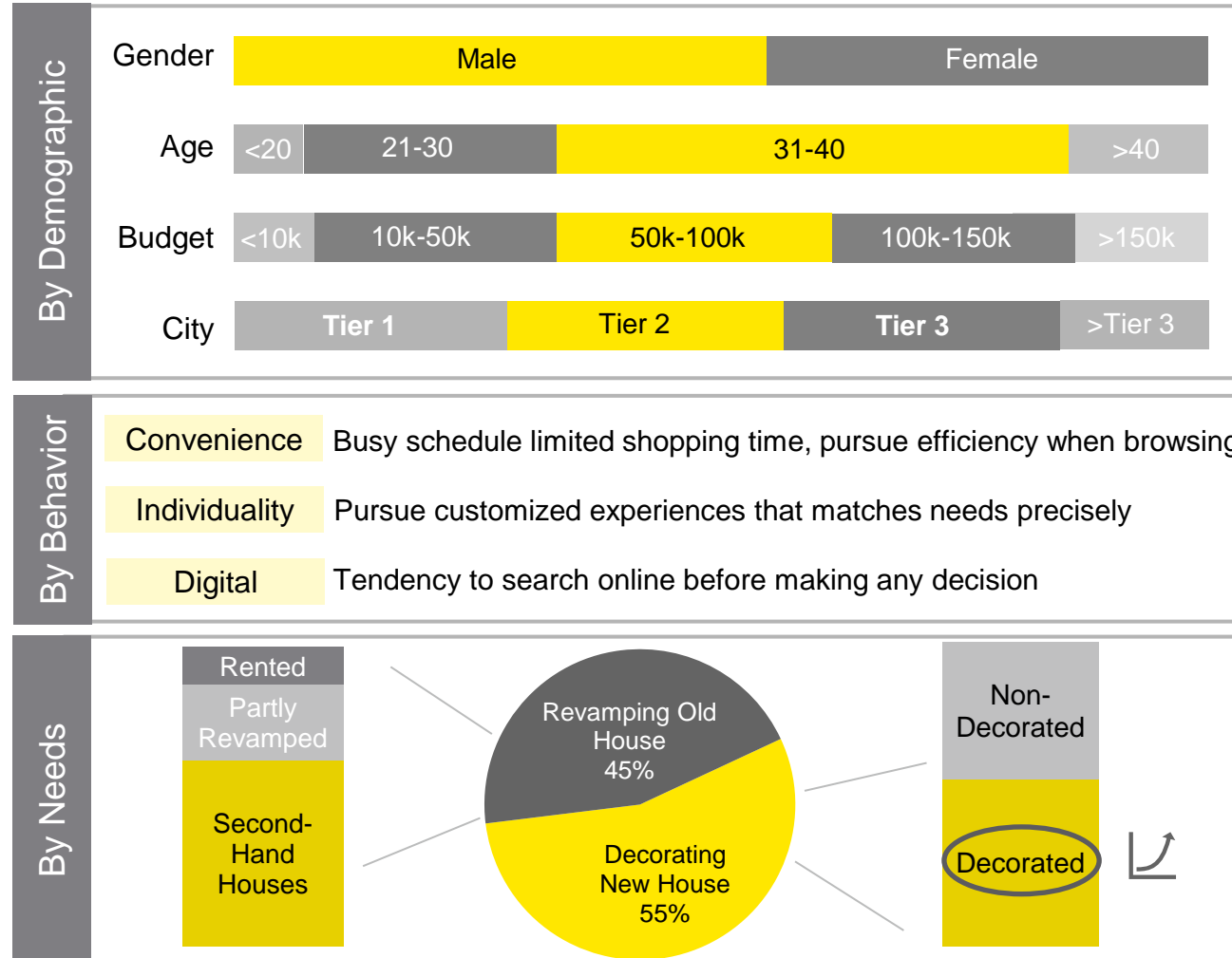
Digitalization in current business models for competitors

Applications of Digitalization



Customers normally have various needs depends on housing, and are increasingly looking for a “one-stop” shopping experience in the wave of digitalization

Target Customer Analysis



Typical Customers



Kathy

- 29, Female
- Housewife
- 100k Budget
- Adding to furnished new house

“As this is my first house, I want to **see and touch everything** in person to **ensure quality**, but I also hope the process can be **monitored digitally.**”



Matthew

- 35, Male
- Company Director
- 150k Budget
- Partly revamping

“I hope **every stage** of the purchase can be done **online** as I am very busy. I will choose those who can provide a digital **“one-stop” shopping experience.**”



Jack

- 43, Male
- Real Estate Investor
- 180k Budget
- Revamping Second-Hand House for leasing

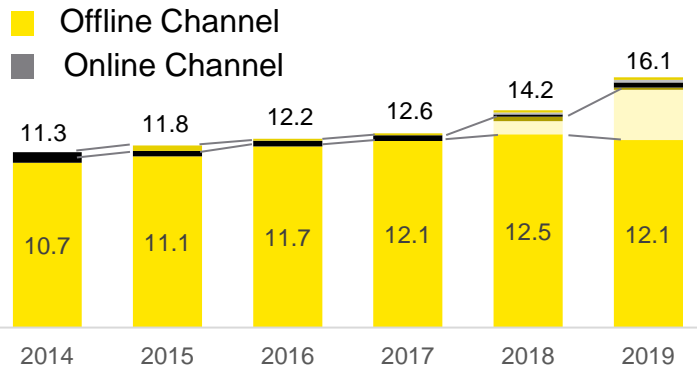
“I hope I can minimize the costs in furnishing these apartments. I will choose markets that **help me to compare and select the lowest prices.**”

Three important characteristics of FSM are healthy financial performance, deep focus of Southwest China and slow digitalization progress

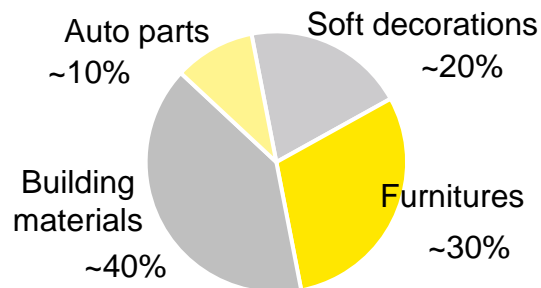
Financial Performance

By Channel

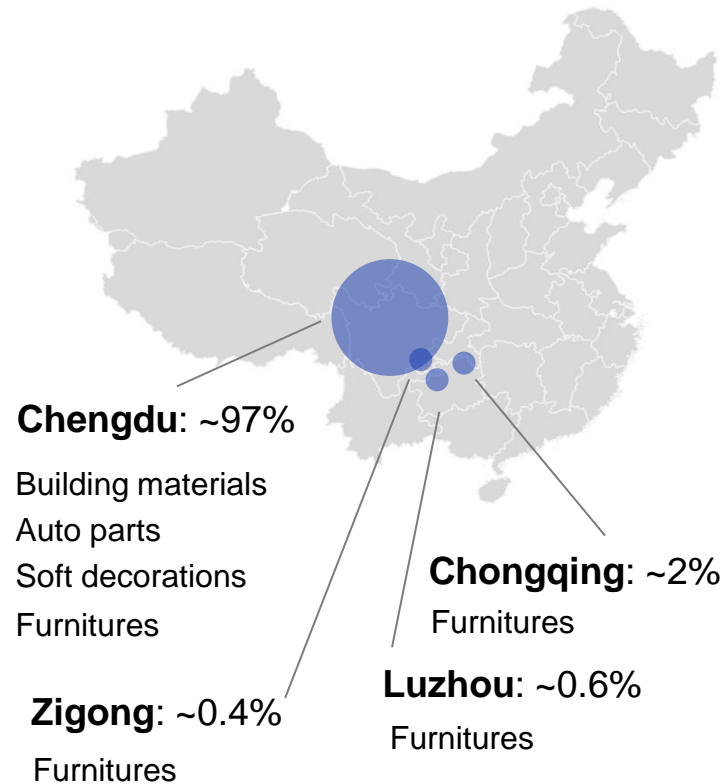
Proportions of Revenue (mn)



By Products



Distributions



Heavily focused and penetrated in SW China

Chengdu: 9 offline shopping centers each with different functions, targeting different needs

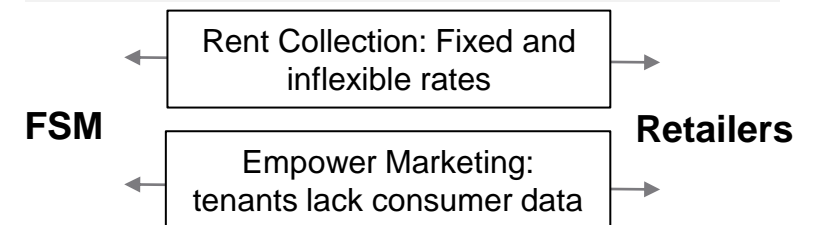
Digitalization

Value Chain: Operation Management

- **Organized** over 200 livestreaming sessions during COVID-19
- **Designed** WeChat mini-program and introduced e-commerce functions

Evaluations: **Slow**

Value Chain: Development Management



Evaluations: **Slow**

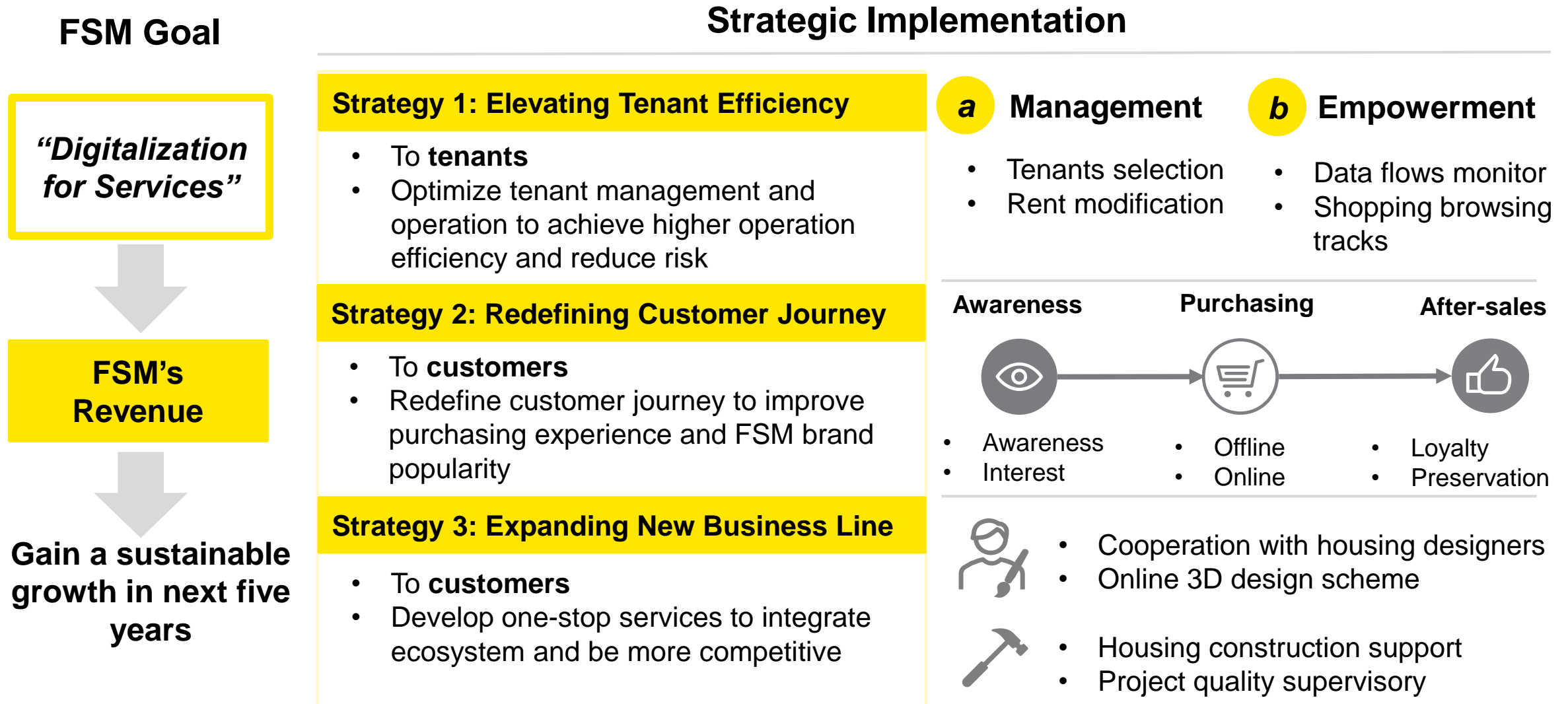
- 1 Consumer journey** is only digitalized to the extent of WeChat mini-programs, which is very **limited**
- FSM lacks digital tools to better manage **retailers**, particularly post COVID-19
- FSM has diverse business lines and products, which can be integrated and cover more customers

Agenda

1. Market and company analysis
2. **Strategy design (inc. Capacity Building)**
 - I. Strategy 1: Elevating management efficiency
 - II. Strategy 2: Redefining customer journey
 - III. Strategy 3: one-step furnishing
3. Implementation



Strategy Overview: To achieve a healthy growth, FSM should take actions from two aspects, positioning the strategy as “Digitalization for Services”



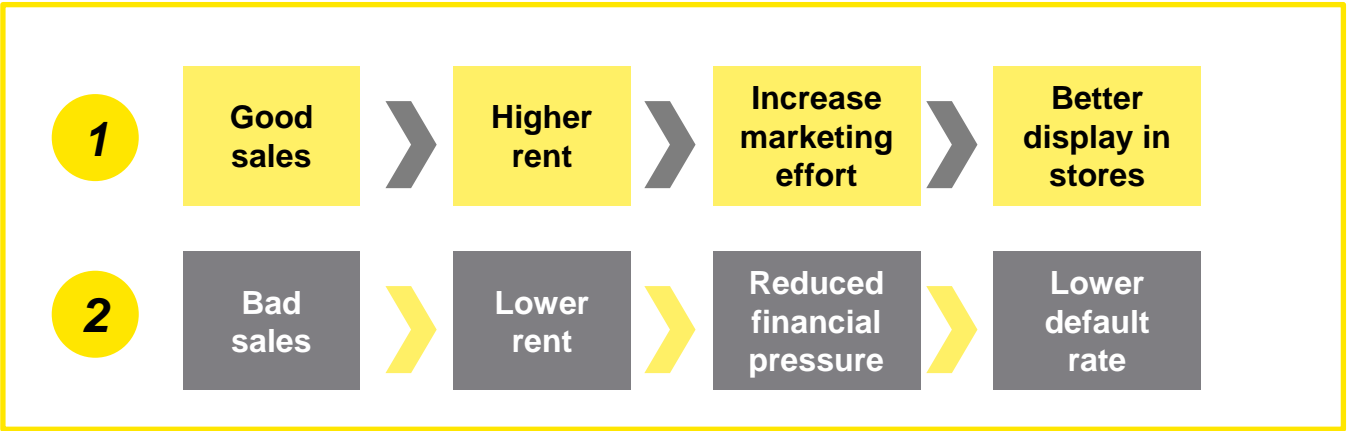
Strategy 1 Tenant Management: ERP can be applied for retailer selection and rent dynamic adjustment to reach higher efficiency and lower cost

ERP

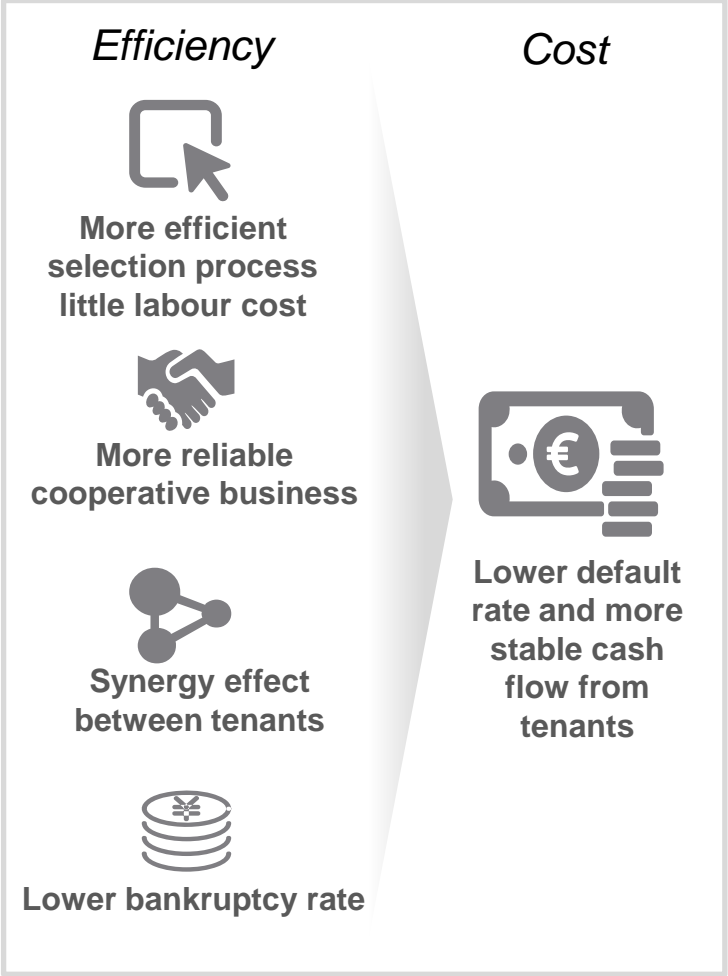
Tenant Selection

Parameter	Relativity	Example
Brand	+	<i>A tenant, with good sales and low default rate, is preferable than the other tenant in the opposite situation</i>
Sales	+	
Past cooperation	+	
Default rate	-	
Bargaining power	-	

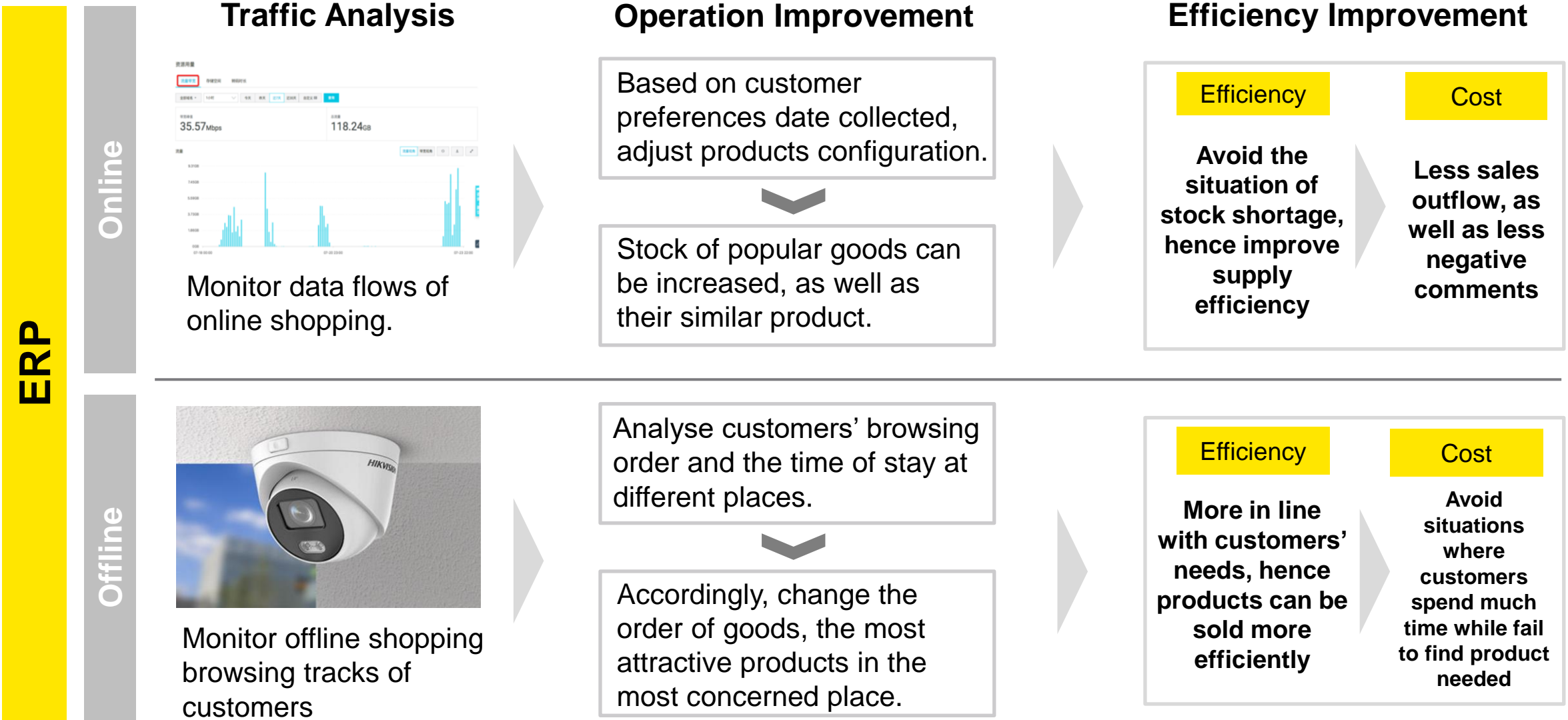
Rent Modification



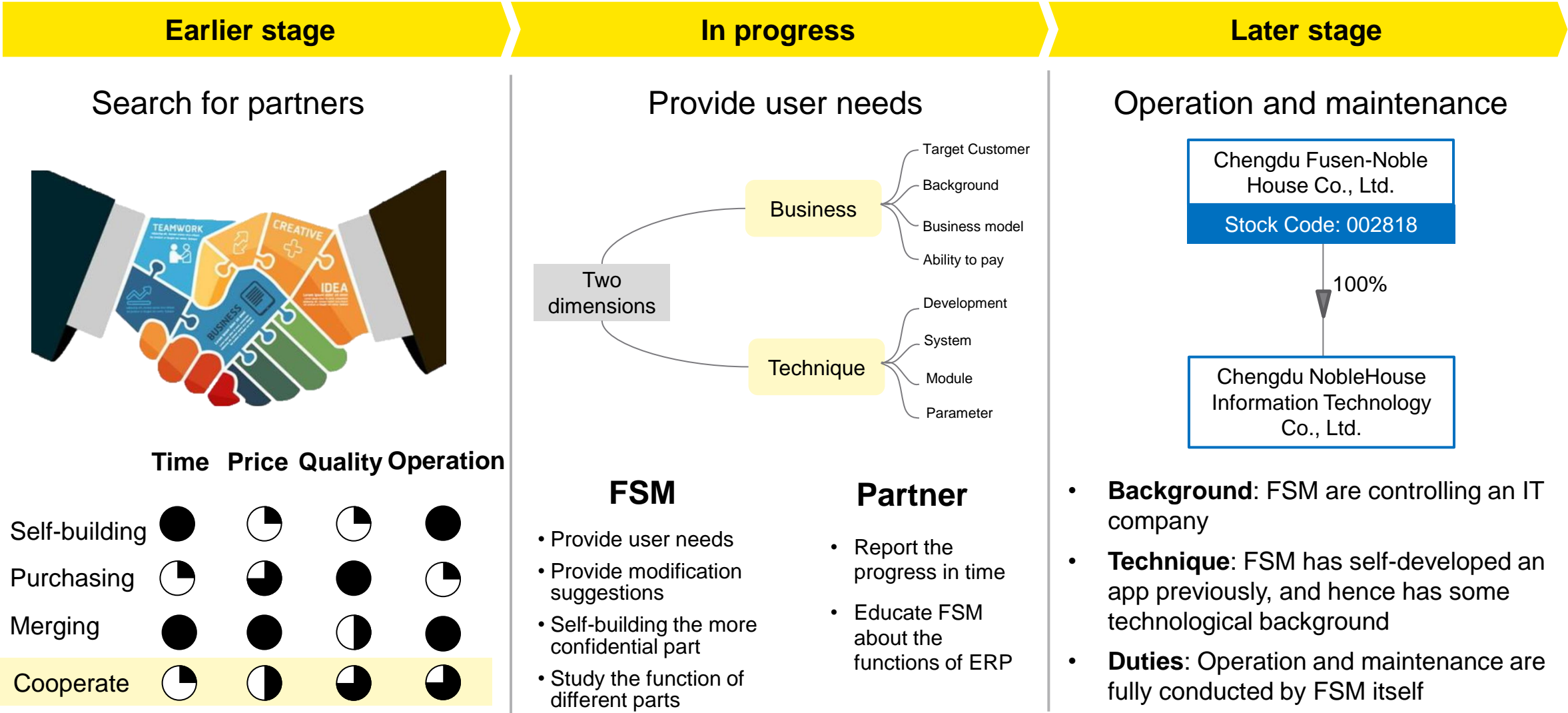
Efficiency Improvements



Strategy 1 Tenant Empowerment: ERP can be applied for traffic analysis, to improve logistics efficiency



Strategy 1 Implementation of ERP: FSM can cooperate for ERP development, and can maintain by itself in the later stage



Strategy 2a Generating Awareness: FSM should enhance its penetration through both building its own localized platform and collaborating with tech giant

Self-owned: Building WeChat FSM Communities



Information Centre

- Invite new and old residents to exchange information in community group chat
- Build community help center to collect needs then recommends
- All group chat members will need to become FSM's member



Special Events

- Monthly members-only discounts and group purchase promotions
- Monthly educating livestreams to teach members different styles and trends in the furniture market
- Sponsor events, such as community dancing club for elders

Digital Tool: Corporate WeChat (Self-Built)

Offline: Management Team



City Manager (1): Design WeChat strategies and campaigns



District Manager (6): Lead their teams and implement campaigns



Community Manager (120): Daily operations of 20 groups each

Online: Operations

120 Ambassador Accounts

240 Communities Covered

Localized Traffic Customized Content

Partnership: Next-Generation Marketing Platform



Data Analysis

- Create accurate customer profile through combining
- Tencent's social media platform
 - FSM's order and membership system



Content Production

Reach customers at the right location, time and with the right scenario and content, all based on data analysis

Digital Tool: Intelligent Marketing Platform (Collaboration)

Tencent 腾讯

Data Analysis

- Provide **traffic data** to build basic user profiles
- Leverage **all ecosystems** such as WeChat and Tencent Videos to push and trace campaigns

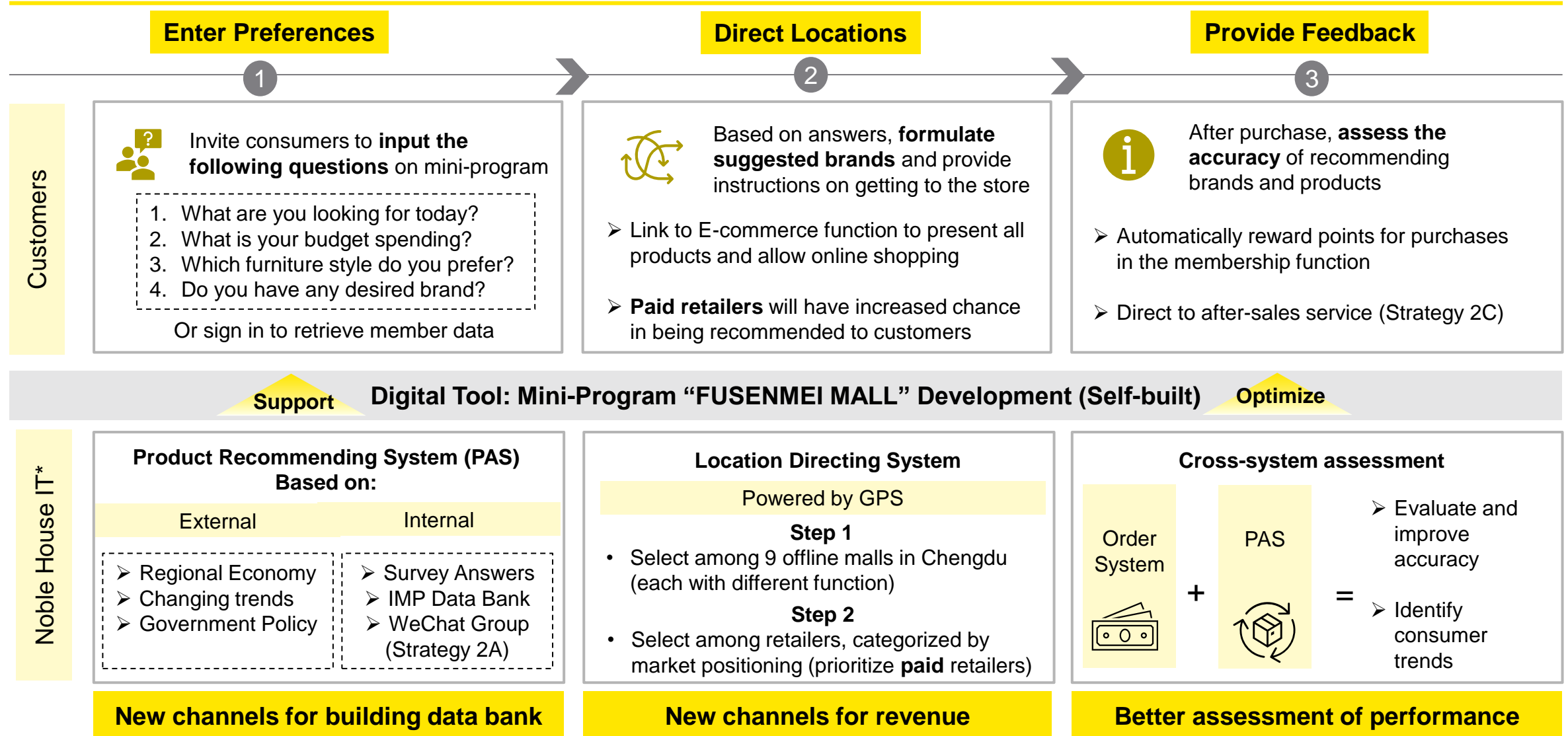
Content Production



- Provide data on **past purchases** on furniture
- Utilize **expert knowledge and experiences** in the industry to design relevant and customized content

Reduced customer acquisition costs & Increased awareness

Strategy 2b Purchasing: FSM should help consumers find their desired products among thousands of selections, aiming to improve offline shopping experience








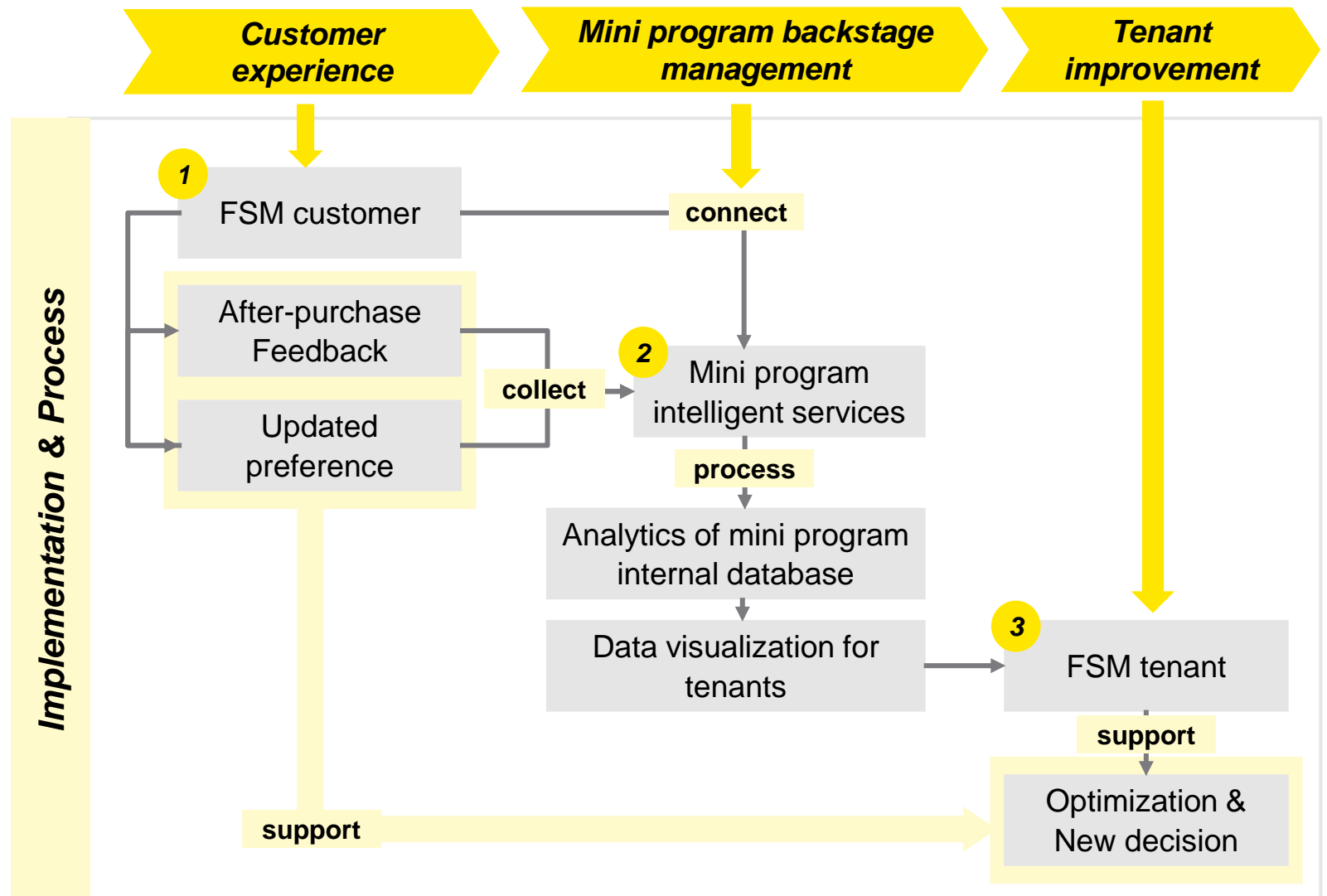
*Noble House IT is a subsidiary of FSM, which specializes the online functions of FSM

Strategy 2c After-sales Service: Improve aftersales experience by implementing digitalization and AI-based analysis through Mini-program to raise customer loyalty



Integrate FSM current resources (mini program) to innovate new digital services

- A** Apply intelligent service and AI analytics for data as main tools
- B** Convey customers feedback and update their preference to tenants

-  • Improve FMS service and brand
-  • Connect closely with consumers
-  • Develop loyalty
-  • Increase customer retention rate
-  • Reduce cost by resource integration



Strategy 3 Expanding New Business Line: Improve current House Custom experience by involving DesignCloud and ProjectCloud

Consumer	Accommodation purchasing	Design and Acquire	Construction
Analysis	<p>97% of FSM's rev. generated in Chengdu</p> <p>~6.8k units of commodities sold per year in Cheng du</p> <p>~40% of which are small-size units</p> <p>High geographical concentration of FSM's potential customer</p> <p>High Concentration of FSM's malls</p> <p>High Similarity of suits to be furnished</p>	<p>Current solutions</p> <div> <div>  <p>House Custom Ordering customized product according to design and floorplan</p> <p>Disadvantages</p> <ol style="list-style-type: none"> 1. Relatively expensive 2. Time consuming </div> <div>  <p>Traditional Purchase finished furniture based on designer's design</p> <p>Disadvantages</p> <ol style="list-style-type: none"> 1. Unified product 2. Weakened design </div> </div>	<p>Concerns of construction quality Customers usually have to supervise the construction site to ensure the craft</p> <p>Time Consuming Due to pre-requisites and order requirement of construction, inefficiency usually take place</p> <p>...</p>
Stakeholder	Residential property developer	DesignCloud App (newly-developed)	ProjectCloud App (newly-developed)
Practice	Collaborate with the property developers for marketing. E.g., Display design scratch by AR tech to consumers during property selling.	Purchase from relevant tech company to establish the Design Cloud to satisfy customizing needs , and train talents for platform maintenance.	Purchase from relevant tech company to establish the Project Cloud, and train talents for platform maintenance.
Efficacy	<ul style="list-style-type: none"> • Reduced marketing cost • High new customer conversation rate 	<ul style="list-style-type: none"> • Spread design and customizing fee • Fulfillment of customizing demand 	<ul style="list-style-type: none"> • Improved constructing efficiency • Ensure output quality

Strategy 3 Implementations of DesignCloud and ProjectCloud: functions of the two platforms to enable lifted one-stop furnishing experience

To-Consumer Platform 1 DesignCloud

FSM

Create 3-D models of its retailing products

Interior Decoration Designer

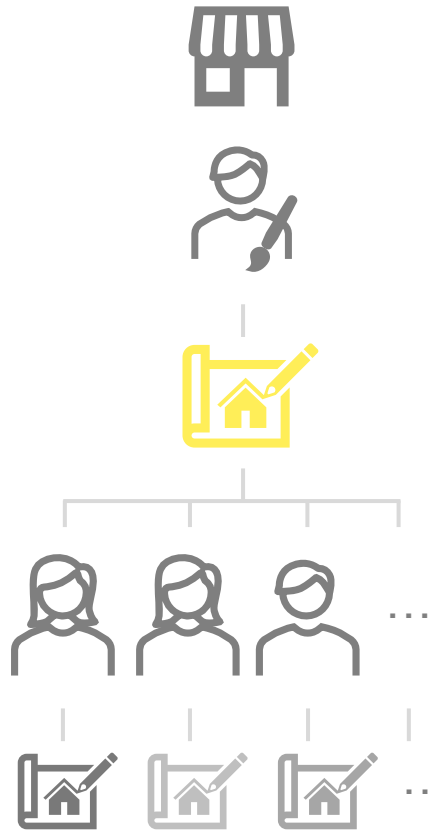
Designers are incentivized by revenue share of the designs being adopted on platform.

Design Scheme

Due to unified floor plan of small-size suites, design schemes can be applicable to various customers by minor modifications.

Consumers (Property Owners)

Based on scheme designed by designers, customers make adoptions based on budget, personal needs and preference. Moreover, check the chosen products offline.



To-Consumer Platform 2 ProjectCloud

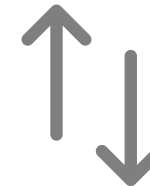
1 Track Constructing Scheme

Generate scheme based on historical data, workload and time arrangement of parties involved.



2 Allocate Partied Involved

Prioritize the constructing orders to reach the highest efficiency by programme.



3 Supervise Project Quality

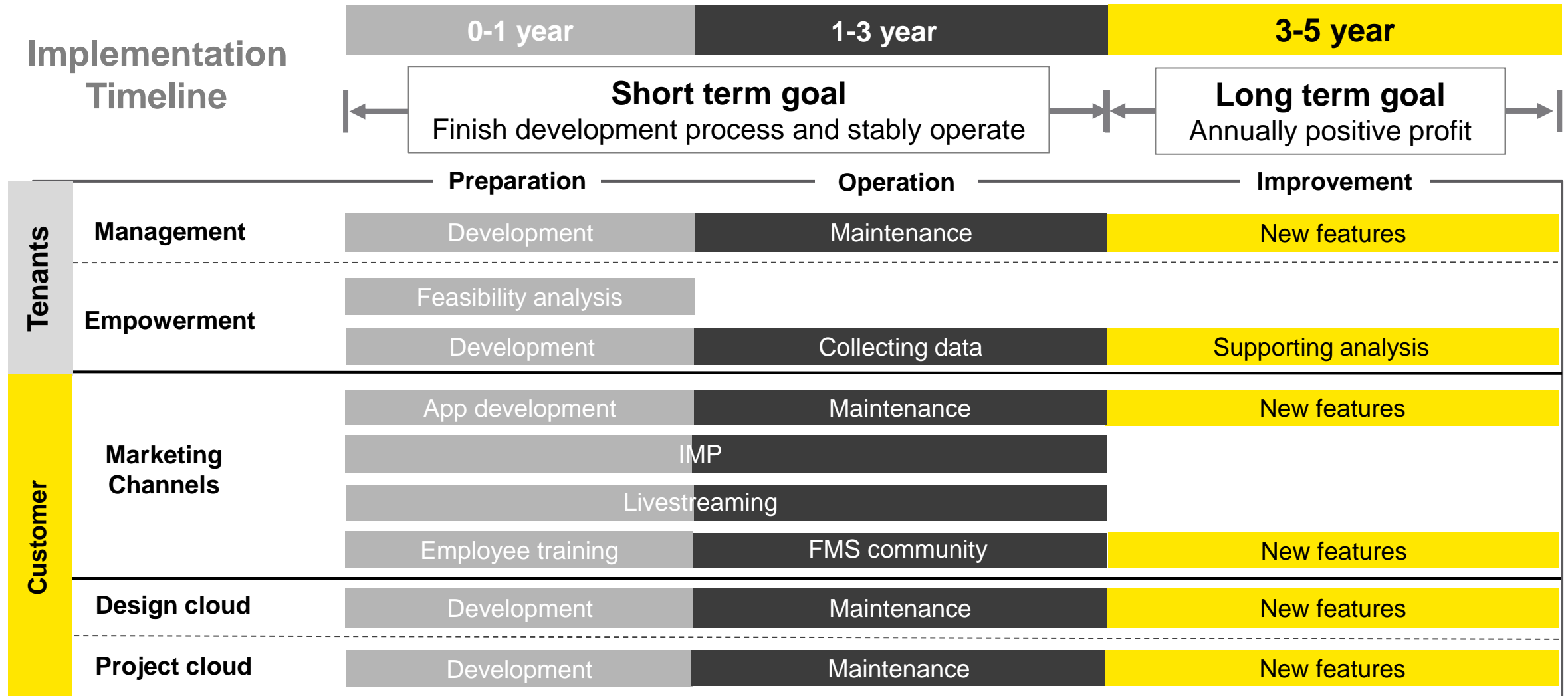
adopting project managing (e.g., acceptance check procedure), ensure quality of each link.



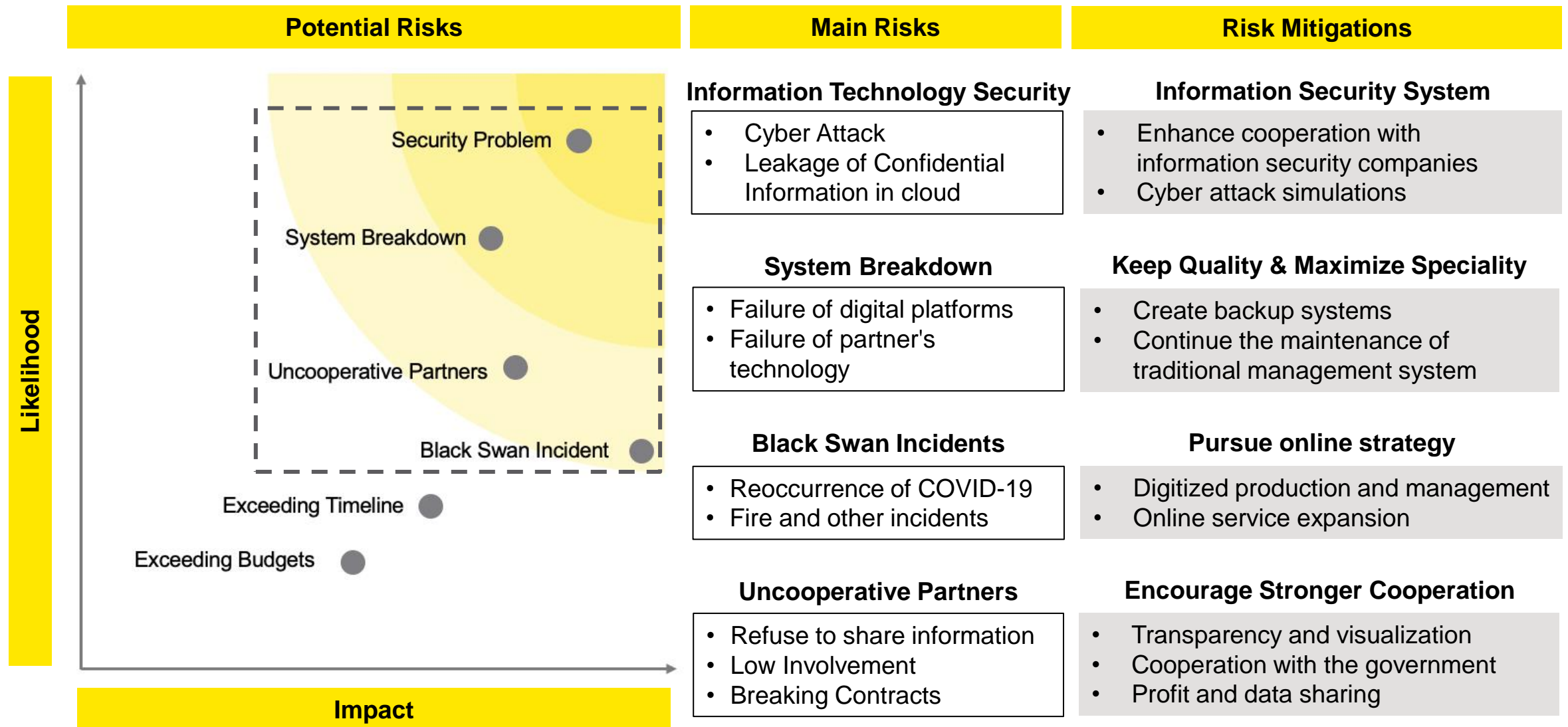
Agenda

1. Market and company analysis
2. Strategy design
3. **Implementation**
 - I. Timeline and goals
 - II. Risks
 - III. Financial forecast

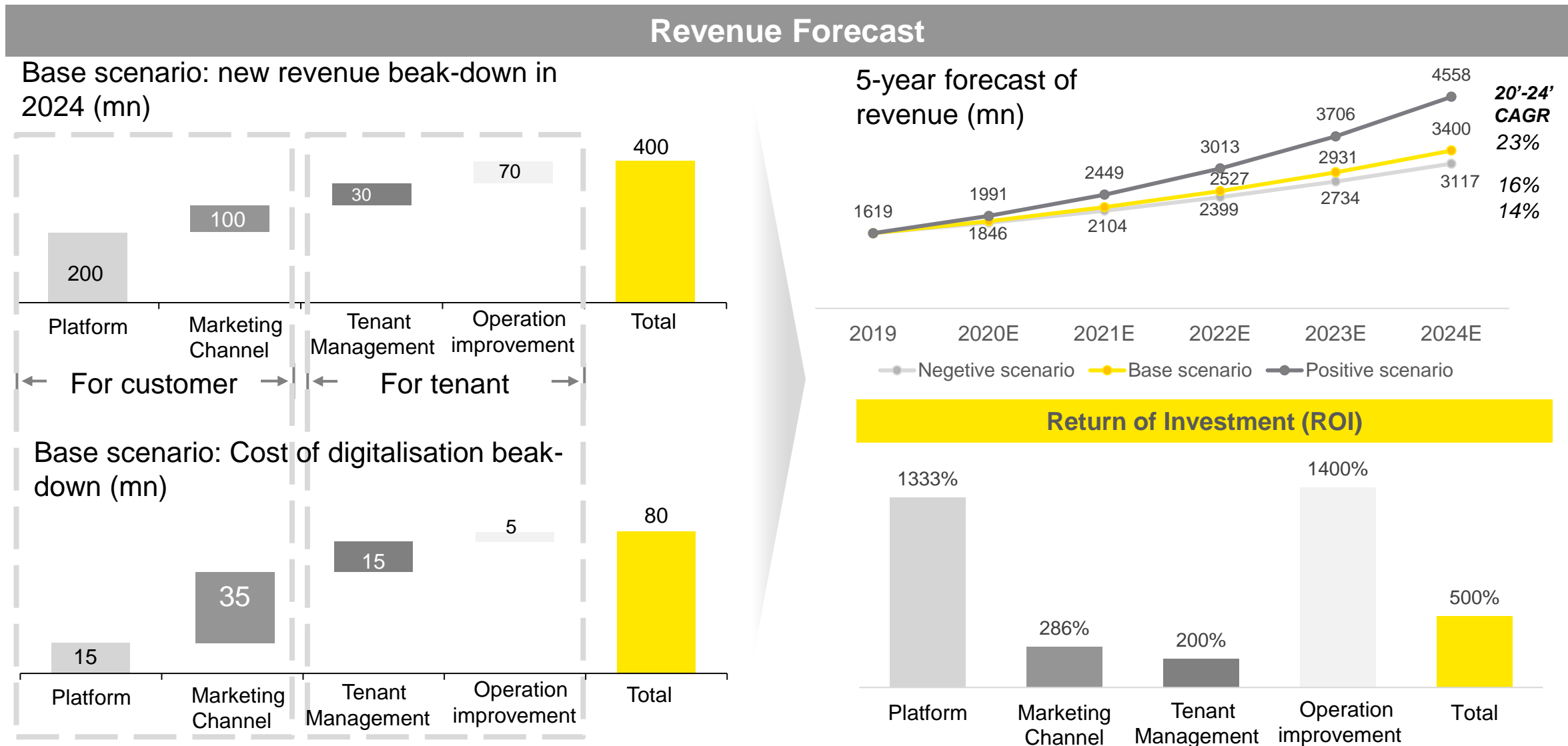
Implementation of strategies should be combined with some preparation in order to achieve short term and long-term goal



Potential risks are outlined, and risk mitigation strategies are provided



Financial analysis of FSM in the next five years, and the ROI of strategy indicates the promising future



Appendix

SHARK



富森美家居
FUSEN MOBILE HOUSE



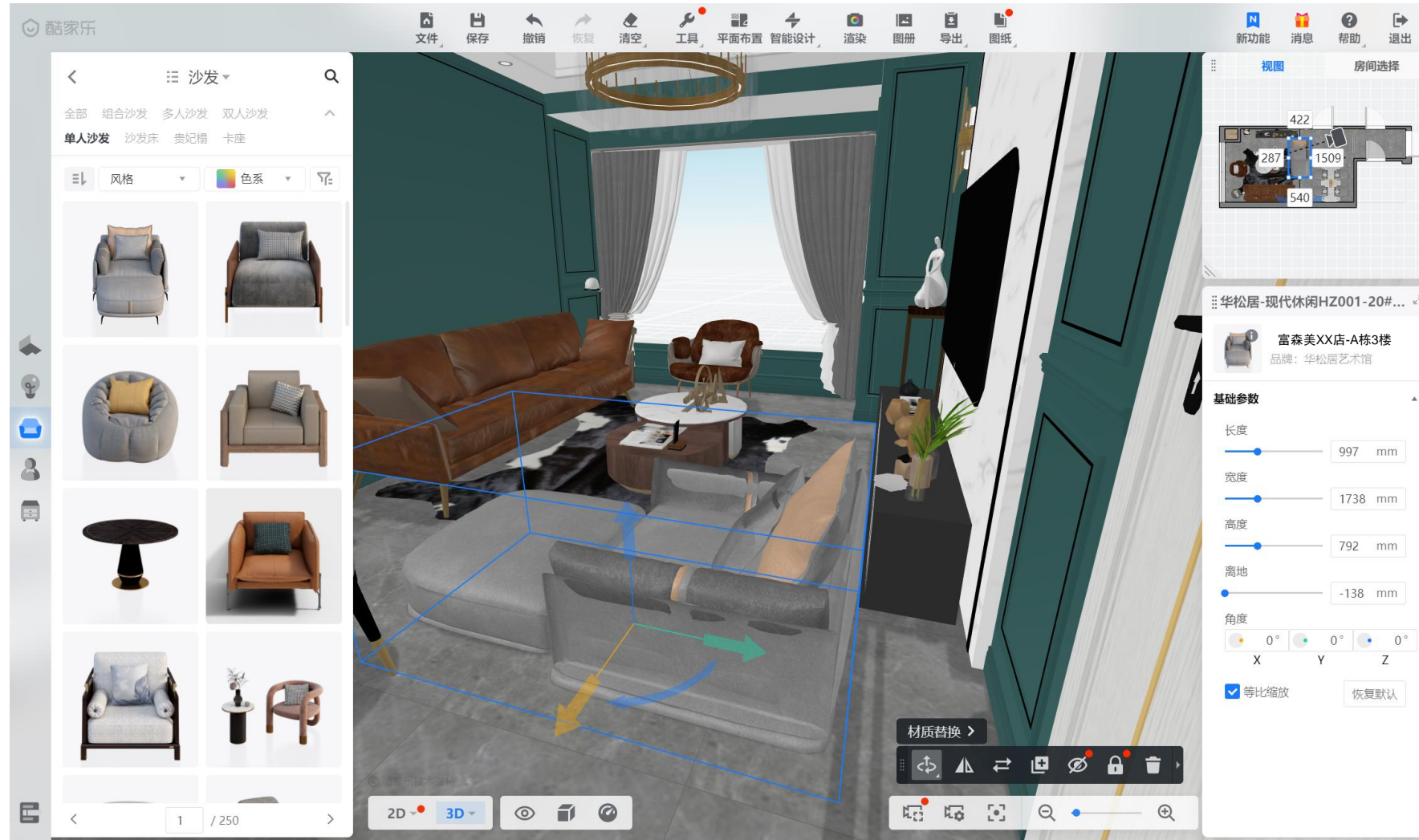
Appendix a: Market Overview

Brand	# stores in China	# combined operation stores	# self-sustaining operation stores	# entrusted operation stores	# own-brand sales stores	Total area(m)	Revenue in 2019 (RMB)
FSM	13	13	0	0	0	1,416,000	1,619,488,068
Macalline	334	0	87	247	0	20,953,810	16,469,237,788
AydHome	130	0	130	0	0	5,000,000	6,240,000,000
IKEA	18	0	0	0	18	950,400	146,000,000,000
Yuexing Goup	167	0	38	129	0	10,020,000	20,204,000,000
EasyHome	355	0	92	263	0	12,047,265	9,084,996,585

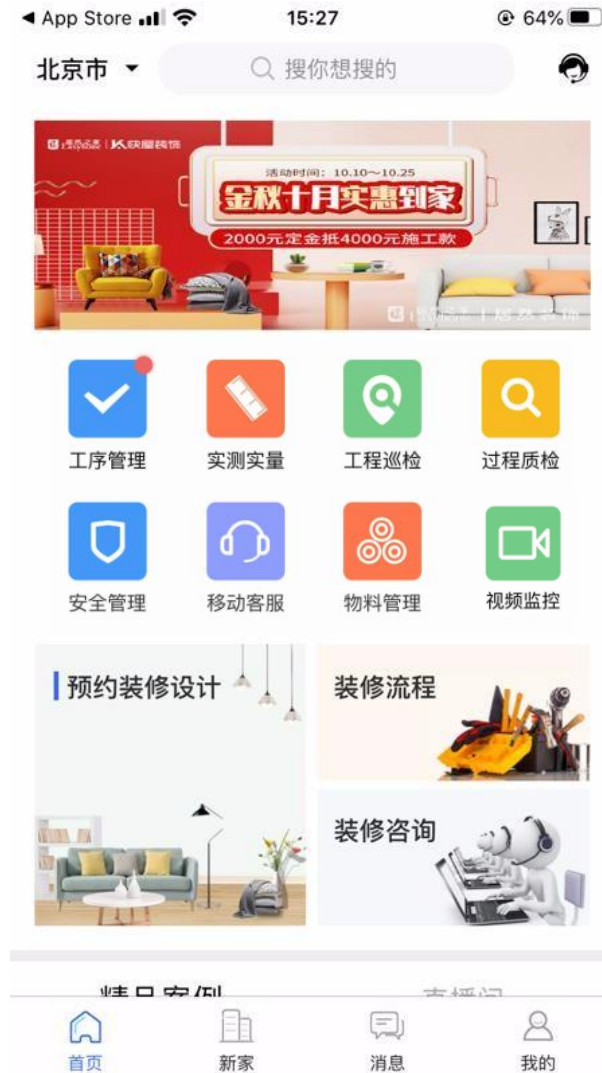
Appendix b: FSM industrial distribution

Name	City	District	# floor	Area
FSM Housing No.1	Chengdu	Gaoxin	8	500,000
FSM Housing No.2	Chengdu	Gaoxin	6	500,000
FSM Housing No.3	Chengdu	Gaoxin	7	500,000
FSM Housing (Building Materials)	Chengdu	Chenghua	6	200,000
FSM Housing (Furniture)	Chengdu	Chenghua	6	160,000
FSM Housing (Life Store 1)	Chengdu	Chenghua	2	3,5000
FSM Housing (Life Store 2)	Chengdu	Chenghua	4	1,000
FSM Housing (Decoration)	Chengdu	Chenghua	2	2,000
FSM Housing Mall	Chengdu	Xindu	1	10,000
FSM International Mall	Zigong	Ziliujin	4	3,3000
FSM International Mall	Luzhou	Longmatan	7	120,000
FSM Kewei Mall	Luzhou	Longmatan	2	3,000
FSM Housing Juxinmei No.1	Chongqing	Yubei	6	200,000

Appendix c: DesignCloud Example



Appendix d: ProjectCloud Example



Appendix e: Policies

分类	政策名称	颁布日期	颁布主体	政策要点
零售	《关于推进新零售发展（2018-2022）若干意见》	2018-11	杭州市商务委员会	《意见》指出政企协同改造传统实体零售业的具体措施，包括建立线上会员系统、无人货柜、智能收银与数字化管理系统等。该政策将推动杭州连锁家居卖场向智能化零售转型，并开拓线上零售、O2O等新零售模式
	《关于推动实体零售创新转型的意见》	2016-11	国务院办公厅	《意见》明确了实体零售业创新转型新方向，指出国家将重点推动企业区域结构、业态结构、商品结构三方面转型，以实现零售行业线上线下商业融合、信息互联互通
	《中国家具行业“十三五”发展规划》	2016-10	中国家具协会	《规划》明确指出现阶段家具行业产业集中度低、绿色发展水平不足、品牌建设不足的行业现象，并针对上述问题提出了产业结构升级、绿色环保战略、优化市场流通、加强国际产业交流、引入“互联网+”等多项建议
质量监管	《室内墙面及木器重涂服务及验收规程（T/CNCIA02002-2017）》	2017-11	中国涂料工业协会	《规范》针对重涂服务制定了统一验收标准，标准覆盖进场交底、遮蔽保护、底材处理、涂装施工、清洁归位等全流程服务。规范化验收标准不仅确保了室内墙面及木器重涂服务的质量、环保性等复合要求，而且避免了客户家居物品受损，提高服务质量
	《室内装饰装修材料人造板及其制品中甲醛释放限量》	2013-11	国家质检总局 国家标准化管理委员会	文件针对室内装饰用人造板材产品规定了0.124 mg/m ³ 甲醛释放限制标准，限量标志为E1，取消了原来1.5mg/m ³ 标准。此外，文件还指出标准的甲醛试验方法、判定规则和检验报告，通过提高合规标准、标准化检测流程，降低了人造板产品不合格率，保障消费者权益，促进家居行业持续健康发展
	《家居行业经营服务规范》	2013-09	商务部	《规范》规定了家居设计、装饰、整体家装、销售、售后服务各个环节经营商的责任规范，约束了家居行业的恶性竞争、随意加价等不良现象，促进行业良性发展

Appendix f: Financial Performance of FSM

	(Q9)2020/09/30	(Q6)2020/06/30	(Q3)2020/03/31	(FY)2019/12/31
营业总收入	9.56亿	6.08亿	3.06亿	16.19亿
营业收入	9.56亿	6.08亿	3.06亿	16.19亿
营业总成本	4.1亿	2.66亿	1.31亿	7.15亿
营业成本	3.12亿	2.05亿	9,891.7万	5.38亿
营业税金及附加	5,490.97万	3,603.19万	1,784.5万	1.19亿
销售费用	200.35万	60.71万	11.16万	239.67万
管理费用	4,622.75万	2,943.15万	1,379.91万	6,204.59万
财务费用	-477.72万	-476.18万	-278.39万	-823.79万
- 利息费用	34.92万	21.53万	12.25万	56.1万
- 利息收入	595.36万	465.86万	314.79万	989.02万
信用减值损失	-170.46万	-135.01万	306.32万	61.8万
非经营性净收益	4,314.56万	2,732.85万	1,377.98万	5,324.24万
投资净收益	3,851.93万	2,392.11万	1,344.65万	4,884.33万
资产处置收益	471.59	471.59	--	--
其他收益	462.58万	340.7万	33.33万	439.91万
营业利润	5.87亿	3.68亿	1.88亿	9.58亿
加:营业外收入	137.83万	38.88万	21.91万	196.39万
减:营业外支出	8.11万	6.08万	3,144.22	15.49万
利润总额	5.89亿	3.68亿	1.89亿	9.6亿
减:所得税费用	9,323.49万	5,802.61万	2,995.44万	1.58亿
净利润	4.95亿	3.1亿	1.59亿	8.02亿
持续经营净利润	4.95亿	3.1亿	1.59亿	8.02亿
减:少数股东损益	-125.91万	-51.5万	-110.42万	47.79万
归属于母公司所有者的净利润	4.97亿	3.11亿	1.6亿	8.01亿