



FUNG BUSINESS INTELLIGENCE

Asia Distribution and Retail

November 2018

2018 marks the 10th anniversary of 11.11 Global Shopping Festival. The shopping festival, started as an Alibaba phenomenon, has spread beyond Tmall and Taobao to other e-commerce operators, as well as bricks-and mortar stores. It has also evolved from a pure discounting occasion to a test bed for new commerce initiatives and emerging technologies being applied in both online and offline shopping scenarios.

On the back of China's explosive digital transformation, the shopping festival's rapid growth over the past decade has powered the steady rise in quality consumption sought by Chinese shoppers. This year, the festival fell on a Sunday, making it even more convenient for consumers to shop.

Key results of 11.11 Global Shopping Festival in 2018

▶ Alibaba

- Alibaba reported 213.5 billion yuan (US\$ 30.8 billion) in GMV in 2018 compared to the 168.3 billion yuan (US\$ 25.3 billion) last year. At 16 hours and 5 minutes into the sale, total GMV surpassed the total for the 24-hour sale last year. Sales growth was 27% yoy.
- Over 1 billion delivery orders were processed by Cainiao.
- 237 brands topped RMB100 million in GMV, including Apple, Dyson, Kindle, Estée Lauder, L'Oréal, Nestle, Gap, Nike and Adidas.
- More than 40% of customers made purchases from international brands; the top countries selling to China were Japan, the U.S., South Korea, Australia and Germany.
- Customers from 230 countries and regions completed transactions on Alibaba's platforms.
- Alibaba eclipsed Amazon's estimated Prime Day sales in less than 10 minutes (Amazon's sales were estimated to have reached roughly US\$4.2 billion over the company's 36-hour Prime Day).

▸ JD.com

- During 1-11 November, JD.com reported a record high GMV of 159.8 billion yuan, up 25.7% yoy.
- 90% of the delivery orders were completed on the same day or on the next day after customer placing their orders.
- Over 100 million people purchased on the platform; provinces with the most number of orders were Guangdong, Beijing, Jiangsu, Zhejiang and Shandong.

▸ Suning.com

- During 1-11 November, Suning.com recorded 132% yoy growth in all of its retail channels. 1,666 Suning Cloud Stores participated in the event; 2,400 Suning.com Direct-sales Stores participated and recorded a yoy sales growth of 84%; orders made in Suning Xiaodian increased tenfold compared to normal days.
- Orders made on Suning Group Buying platform exceeded 80 million; with a penetration rate of 56% in the tier-3 and 4 cities.
- More than 50 million customers shopped in Suning physical stores.
- Post-90s generation dominated consumer spending for the first time – 42% of total orders were made by the post-90 consumers, compared to 38% by the post-80s consumers.
- During 1-11 November, Suning provided free delivery for orders made via its self-operated platform. More than 200,000 logistics staff worked nationally to provide quick delivery services – small parcels in less than 7 hours, large parcel in less than 6 hours.

▸ VIP.com

- VIP.com received over 10 million orders during on 11 November.
- Facial mask, skin care sets and women's boots were the most popular items.
- Over 550,000 orders were made via VIP.com's WeChat Mini Program.
- Residents in Chengdu, Wuhan, Beijing, Guangzhou and Shanghai made the most number of orders.

▸ Xiaomi

- Xiaomi recorded sales of 5.251 billion yuan in all of its retail channels, exceeding the sales it made on Tmall last year (2.464 billion yuan).
- Xiaomi's AI and IoT products remained the most popular items during the event.

▸ Pinduoduo

- Pinduoduo held the event during 11-16 November.
- At 9 hours and 25 minutes into the sale, total GMV of Pinduoduo surpassed the total for the 24-hour sale in 2017.
- Number of logistics orders increased over 300% yoy.
- Number of orders for agricultural products exceed 40 million.

Key observations

O2O integration speeds up

The number of offline stores participated in this year's 11.11 Global Shopping Festival reached a record high. In the past years, the 11.11 Global Shopping Festival was mainly an online event; but the event this year involved much more offline stores to create synergies and generate higher sales. 29 online and offline business units of Alibaba and its strategic partners participated in the event, including Freshippo (formerly known as Hema Xiansheng), Intime, RT-Mart and Easyhome. Besides, 200,000 mom-and-pop stores powered by Alibaba's Ling Shou Tong provided online sales promotions, along with augmented reality-based red packets that offered discounts at 3,000 "Tmall Corner Stores".

Other key e-commerce operators also put more focus on O2O during this year's 11.11 Global Shopping Festival. For example, from 20 October to 15 November, JD.com lined up with over 600,000 physical stores to offer O2O shopping experience to consumers, including its own innovative retail formats JD Home, JD Convenience Store, JD unmanned supermarket, and 7Fresh, as well as physical stores of its collaborating brands such as Hongdou and Qumei. Consumers could receive coupons online and use them in over 10,000 offline stores. JD.com also applied various black technologies including smart shopping guide, AR/VR fitting, smart shopping cart, facial recognition payment systems to provide better shopping experience to consumers.

Increasing participation of global consumers and retailers

Driving sales by extending customer reach is another focus of this year's 11.11 Global Shopping Festival. Tmall World, AliExpress and Lazada have brought the event to hundreds of millions of Alibaba's overseas users. For example, Lazada hosted the first 11.11 Global Shopping Festival for customers in Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam.

On the other hand, cross-border e-commerce platforms such as Tmall Global provided over 3,700 categories of imported goods from 75 countries and regions on its platform. Chinese consumers who ordered on Tmall Global during the festival could use their mobile Taobao app to get shipment updates from Tmall Global.

Unleashed consumption power of customers in lower-tier cities and rural areas become a new focus

Expanding customer reach to lower-tier cities and rural areas is a major initiative of e-commerce players during this year's 11.11 Global Shopping Festival. JD.com's group buying platform JD Pingou joined the festival for the first time to target lower-tier cities, rural areas and customers who focus primarily on price. Over 100 group buying deals starting from 1 yuan were available on the platform. To differentiate from other e-commerce platforms, Pinduoduo, another group buying website which was listed on the Nasdaq stock exchange in July 2018, launched deals mainly focused on agricultural produce during the 11.11 Global Shopping Festival. It also lined up with various farms directly to ensure sufficient supply of farm products. Alibaba's "Rural Taobao" initiative also targeted the rural areas by bringing coupons to its services in 800 counties across 29 provinces in China. The vast population base and the unleashed consumption power from these lower-tier cities and rural areas have provided tremendous opportunities for brands and retailers.

E-commerce companies put more efforts into promoting their private labels

Along with the trend of consumption upgrading, some e-commerce companies and Internet giants have launched their own private labels in the hope of providing quality, premium and personalized products and services to customers. The 11.11 Global Shopping Festival provides a good chance to increase customer awareness of these brands. JD.com's private label Jingzao participated in the 11.11 Global Shopping Festival for the first time. Jingzao products were available online on JD.com as well as in JD Home's physical stores. JD Home also launched a pop-up store to for Jingzao in eight cities from 24 October to 11 November to promote the private label.

Meanwhile, Suning's private label "Suning Jiwu" launched an online flagship store on North America's e-commerce platform Yamibuy (www.yamibuy.com) in October 2018. Suning also participated in the first overseas 11.11 Global Shopping Festival organized by Yamibuy, selling mostly travel goods and home products. Goods sold on Yamibuy were shipped by Suning Jiwu from the U.S. warehouse.

Logistics service is no longer the bottleneck

The State Post Bureau of the PRC (SPB) revealed that on 11 November, China's major e-commerce companies generated 1.352 billion orders throughout the day, up 25.12% yoy. All of the express delivery companies together handled 416 million parcels on the day, up 25.68% yoy and hit a record high. Many logistics players have geared up for the 11.11 Global Shopping Festival. Cainiao, for instance, has upgraded its technology and systems before the shopping festival. It used satellites to improve the efficiency of its delivery partners. According to Alibaba, 40 minutes before the end of the festival on 11 November, delivery orders handled by Cainiao topped 1 billion for the first time, eclipsing last year's 812 million.

Contacts

Asia Distribution and Retail

Teresa Lam

Vice President

E: teresalam@fung1937.com

Christy Li

Senior Research Manager

Email: christyli@fung1937.com

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com



© Copyright 2018 The Fung Business Intelligence. All rights reserved. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Though the Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of the Fung Business Intelligence is prohibited.