



Uncovering the emerging players in China's e-commerce - Issue 5

Social commerce platform – Meili Inc.

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While Alibaba and JD.com continue to dominate the e-commerce scene in China with 58.2% and 16.3% market share according to eMarketer, a number of relatively smaller specialist players have caught increasingly attention in China's e-commerce market recently. In today's rapidly evolving and highly competitive online marketplace, these fast-growing companies provide another option for businesses to market and sell their products. Fung Business Intelligence has identified some of these emerging players, each focusing on a specific area such as group-buying, O2O lifestyle services, social commerce, vertical online platforms and short videos. In this series of articles, we provide an overview of the key business and developments of these emerging player; we also identify their strengths, weaknesses, opportunities and threats.

In this issue, we look at the business model and latest developments of Meili Inc. – a leading e-commerce fashion enterprise which operates social commerce platforms under two banners Meilishuo and Mogujie. Meili Inc. runs a “community building + content + online shopping” platform targeting primarily female users. The social nature of the platform allows sellers and consumers to communicate and interact with each other while shopping. Meili Inc. has a combined user base of around 230 million, with more than 10 million daily active users and over 50,000 key opinion leaders (KOLs) as of July 2018.

Company background

Meili Inc. is a leading e-commerce fashion enterprise which operates social e-commerce platforms under two banners – Meilishuo, a female-focused social networking platform, and Mogujie, a fashion-focused social shopping platform. Tencent holds a 15% stake in Meili Inc. It is reported that Meili Inc. has also received investments from Hillhouse Capital, Ping An Ventures, Tiantu Capital, Trustbridge Partners, GGV, Sequoia Capital, Hopu Fund, Bertelsmann, Qiming Venture Partners, IDG Capital, BlueRun Ventures and Gaorong Capital.

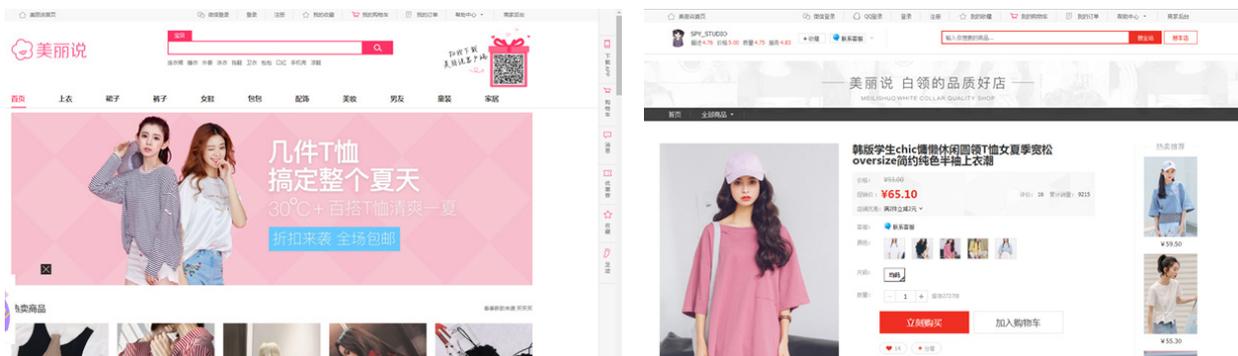
In June 2016, Meilishuo, Mogujie and Taoshijie.com (a C2C cross-border platform under Meili Inc; it ceased operation in August 2017) merged to form a new group Meili Inc.; Mogujie.com's founder Chen Qi became CEO of the new company. Chen hopes to construct an eco-system centering on "beauty" in China. Meili Inc. focuses on creating a "community building + content + online shopping" platform to attract female users. After the merger, the platforms have continued to operate independently, with each platform having its own group of targeted consumers – Mogujie targets students aged 18-23, with average sales per customer of 100-200 yuan, and Meilishuo targets white-collars aged 23-30, with average sales per customer of 200-1,000 yuan.

As of January 2018, Meili Inc. has a combined user base of around 230 million, including more than 10 million daily active users and over 50,000 key opinion leaders (KOLs). According to iiMedia, Mogujie has over 10 million monthly average users (MAUs), while Meilishuo only has around 2 million MAUs; over 77% of its users are female¹. The platform is yet to become profitable. In July 2018, Meili Inc. filed for IPO in New York, looking to raise US\$500 million.

The business

Currently, Meili Inc. operates e-commerce/ social commerce platforms (website and mobile app) under two banners – Meilishuo and Mogujie. The interfaces of Meilishuo and Mogujie look very much alike, where merchants (sellers) can launch their own store and list their products. Both platforms cover similar product categories including female clothing, bags, accessories, cosmetics, childrenswear, home products, and some male clothing. Mogujie also sells snacks and small appliances. Both Meilishuo and Mogujie work like an online community for consumers to share the products they like and leave comments. Consumers can also follow the stores they like and receive notifications from sellers on new clothing listings. One significant difference between the two banners is that Mogujie also offers group purchases and flash sales but Meilishuo does not.

Meilishuo website

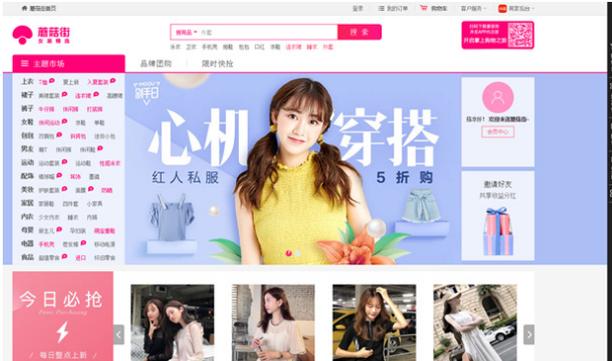


Meilishuo app



Source: Meilishuo

Mogujie website



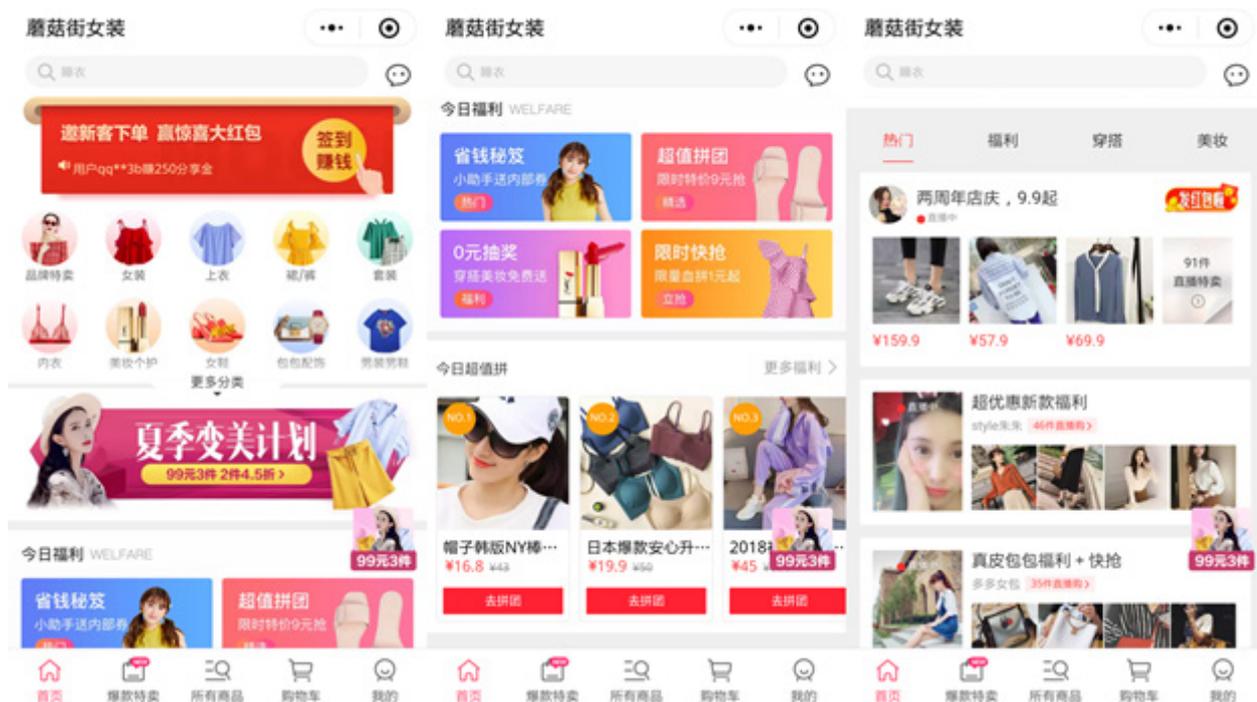
Mogujie app



Source: Mogujie

In July 2017, Mogujie launched a WeChat Mini Program. WeChat Mini Program is a small application within WeChat; it functions like a normal app but it could only be found on WeChat. It offers another option for users to easily search product information or buy products without the need to install an additional app. It is reported that Mogujie's WeChat Mini Program gained approximately 3.5 million fans in only one and a half months after it launched.

Mogujie WeChat Mini Program



Source: Mogujie

Mogujie also has a live streaming function for sellers to interact with viewers/consumers. Viewers can leave comments directly during live streaming to interact with the host. The live streaming function also supports product selling. Viewers can select products on the live streaming page and add them to the virtual cart on Mogujie in just one click without leaving the live streaming page.

Mogujie live streaming

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Source: Mogujie

Recent developments

Forms partnership with JD.com

In January 2018, JD.com and Meili Inc. announced the establishment of a new joint venture company to focus on social selling via WeChat to tap more female shoppers. In March 2018, the new company launched a social commerce platform “Weixuan”; this social selling channel can be accessed via JD.com's level-one entry point on WeChat. It has sought to expand its product offerings, particularly in the apparel category where Meili Inc. excels, with a hope to attract more merchants. Merchants selling on the channel can have access to JD.com's logistics network and customer service offerings. The new joint venture combines JD.com's expertise in logistics, retail infrastructure, customer service, and its reputation for quality and authenticity, with Meili Inc.'s leading position in social commerce and its exceptional ability to reach out to female shoppers, particularly in lower-tier cities.

Signs strategic cooperation agreement with Tencent

In May 2018, Meili Inc. and Tencent Cloud signed a strategic cooperation agreement. According to the agreement, Meili Inc. will leverage Tencent Cloud's capabilities in cloud servers, cloud database, IT network, CDN service, security service, as well as live streaming, predictive analytics, user portraits analysis, facial recognition technology, etc., to facilitate the development of smart e-commerce.

Sets up filming studio in Hangzhou

In August 2018, Meili Inc. launched a “Mogu Studio” in Hangzhou; it is a studio for editors and KOLs under Meili Inc. to film and take professional product pictures and styling pictures. With a size of over 1,000 sqm, the studio has dozens of scenes and settings including café, gallery and garden for KOLs to film videos and do live streaming events. Fashion editors and KOLs can mix and match with the products in the studio. Meili Inc. will put more emphasis on the content and lure consumers to make purchase by providing them with more professional product reviews, styling suggestions, and fashion trends².

“Weixuan” on JD.com's entry point on WeChat



Source: JD.com app; ebrun

Comments from Fung Business Intelligence

In our view, the post-merger integration between Meilishuo and Mogujie was rather slow as there were no major developments of Meili Inc. in the last two years. However, with its recent moves to form strategic partnerships with JD.com and Tencent, it seems that Meili Inc. will focus more on social selling and smart e-commerce. It is expected that Meili Inc. will gain more traffic via JD.com's level-one entry point on WeChat. Costs of acquiring new customers will be lower as it can leverage social platforms to direct consumers to the buying page.

Meili Inc. provides an easy and effective way for small-sized retailers, individual sellers, and KOLs to sell and market their products to their target customers. It is a comprehensive e-commerce/ social commerce platform with multiple channels including website, app, WeChat Mini Program and the new social selling channel Weixuan. Sellers / KOLs can get in touch with consumers in multiple ways; they can even do live streaming to interact directly with consumers in real-time. Also, the “community” nature of both Meilishuo and Mogujie allows sellers to offer various lifestyle content, styling recommendations, etc. to users. This is a good way to engage with users.

While targeting the female market which has strong consumption power, Meili Inc. is facing increasing competition from leading e-commerce players such as Tmall and JD.com, and vertical platforms such as Vipshop, Xiaohongshu (aka “Red”) which also target the female market. To stand out from the competition, Meili Inc. needs to continue to expand its product offerings (particularly lifestyle products) and come up with new business models, new marketing campaigns, exciting content, etc. to attract, recruit and retain users.

Exhibit 1: SWOT analysis of Meili Inc.

| Strengths | Weaknesses |
|---|--|
| <ul style="list-style-type: none"> • Meili Inc. has a large customer base of 230 million and a clear target customer group – 77% of its users are female. • Able to create strong engagement with customers – the “community” nature of Meilishuo and Mogujie allows sellers to offer various lifestyle content, styling recommendations, etc. to users; customers can also communicate directly with sellers via Mogujie’s live streaming platform. • Partners with leading Internet companies such as JD.com and Tencent to leverage their capabilities in logistics and advanced technologies as well as gaining traffic. | <ul style="list-style-type: none"> • Not much differentiation between Meilishuo and Mogujie in terms of functions and target customers. • Slow post-merger integration between Meilishuo and Mogujie; no major developments of Meili Inc. in the last two years. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • “She economy” in China is expanding rapidly. According to Chinese securities firm Guotai Junan, the “she economy” is expected to account for US\$700 billion by 2019³. This presents huge opportunities for Meili Inc. | <ul style="list-style-type: none"> • Faces increasing competition from leading e-commerce players such as Tmall and JD.com, and vertical platforms such as Vipshop, Xiaohongshu which also target the female market. • Chinese female consumers have low loyalty when it comes to buying apparel products; they can easily shift to other platforms which offer similar products that look more stylish and fashionable. |

Source: Fung Business Intelligence

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