



FUNG BUSINESS INTELLIGENCE

Asia Distribution and Retail

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Starting from 2009, Alibaba Group held the world's largest online shopping event on 11 November each year, known as the "11.11 Global Shopping Festival" (or the Singles' Day). This year, the event has been extended from a one-day shopping event on 11 November to a shopping festival that rolled out through 19 October to 11 November. Further validating the New Retail model to offer seamless online and offline shopping experience, and going global are the main themes this year.

Results of Alibaba's 2017 11.11 Global Shopping Festival

- Alibaba reported 168.3 billion yuan (US\$ 25.3 billion) in GMV compared to the 120.7 billion yuan (US\$ 17.8 billion) last year. At 13 hours and 9 minutes into the sale, total GMV surpassed the total for the 24-hour sale last year. Sales growth was 39% yoy.
- The number of delivery orders was 812 million compared with 657 million last year, up 23% yoy.
- 90% of the GMV was generated by mobile users, up from 82% in 2016.
- Alibaba Cloud processed 325,000 orders per second at peak.
- Alipay processed 1.5 billion payment transactions in total, up 41% from 2016, and processed 256,000 transactions per second at peak
- 167 merchants each generated over 100 million yuan (US\$ 15.1 million) in sales, 17 merchants surpassed 500 million yuan (US\$ 75.4 million) and 6 merchants surpassed 1 billion yuan (US\$ 150.9 million). Nike Inc., Xiaomi Corp. and Uniqlo Co. were coming out as some of the biggest winners.



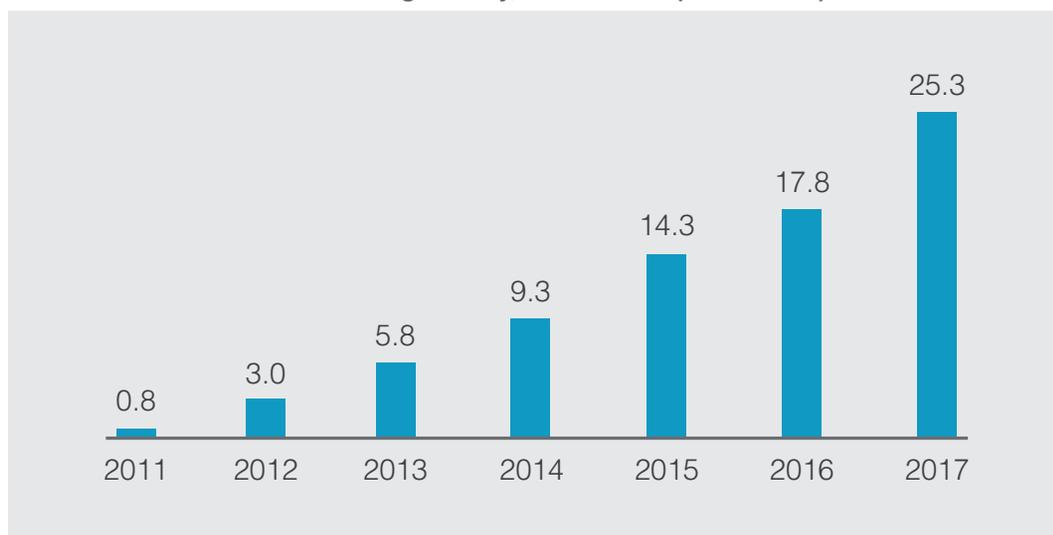
Photo source: <http://www.alizila.com>

Exhibit 1: Alibaba 2017 11.11 Global Shopping Festival results

Alibaba 2017 Singles' Day results	2016	2017
Tmall's GMV during the Singles' Day period	120.7 billion yuan (US\$17.8 billion) (+32% yoy)	168.3 billion yuan (US\$25.3 billion) (+39% yoy)
Total mobile GMV during the Singles' Day period	82.0% of total GMV	90.0% of total GMV
Number of countries / regions participated	235	225
Numbers of payment transactions	1.04 billion	1.5 billion (+41% yoy)
Number of logistics orders	657 million in the 24-hour period	812 million in the 24-hour period (+23% yoy)

Source: Alibaba, compiled by Fung Business Intelligence

Exhibit 2: Alibaba's GMV on Singles' Day, 2011 – 2017 (US\$ billion)



Source: Alibaba, compiled by Fung Business Intelligence

Key highlights about Alibaba's 2017 11.11 Global Shopping Festival

New retail

- Over 1 million merchants utilized various online-offline integrations to enhance merchant operations and create exciting engaging consumer experiences.
- More than 1,000 brands converted over 100,000 physical locations into “smart stores”, which were available in 31 provinces and 334 cities, allowing merchants to leverage data insights to deliver a more tailored shopping experience. The features of the stores included innovative technologies like RFID and “cloud shelf,” facial recognition, mobile gamification. Location-based store and discount recommendations were available to consumers through their Tmall and Taobao apps, helping drive foot traffic to offline stores. Online coupons were offered at offline locations through Taobao and Tmall app, helping merchants track consumer's shopping journey between online and offline.
- Tmall opened 60 pop-up stores in 52 malls in collaboration with more than 100 domestic and international brands in 12 cities such as Beijing, Shanghai, and Guangzhou throughout China. These stores curated consumer experiences specific to the brands and products through features such as magic mirror, augmented reality (AR) product information display, and vending machines.
- 4,000 Tmall Corner Stores (with monthly merchandise volume over 10,000 yuan in locations with higher traffic) and 30,000 Rural Taobao Service Centers also participated to serve as offline touch points of Alibaba to the remote markets.

Retail-tainment

- “See Now, Buy Now” fashion show was held for the second year on 31 October 2017. Brands showed off their latest collection through livestream broadcasting and offered audiences the chance to buy the things they see on the runway in real time. This was truly an O2O experience for consumers. Viewers watching the show could enjoy the show while shopping on their phones or saving items for check-out on 11.11. The fashion show was broadcast across 7 channels, including BeijingTV, online video platform Youku, social channel Weibo and shopping apps Tmall and Taobao.
- The AR mobile game “Catch the Cat” game allowed consumers to earn coupons and prizes every time they catch the “Tmall mascot” via Alibaba’s Taobao and Tmall apps, encouraging more online shoppers to visit brick and mortar stores. 65 brands participated in the campaign through the smart stores across China.
- A lottery pool of 250 million yuan was shared among Chinese consumers through a mobile game “Red Envelope Torch Relay” in the form of red packets.

International participation

- Over 140,000 brands and merchants, 60,000 of which were international, took part in the festival, offering 15 million product listings to Chinese consumers.
- 225 countries participated in the festival this year. Top five countries selling to China by GMV were Japan, U.S., Australia, Germany and South Korea.
- Alibaba also helped Chinese brands to go global by providing end-to-end solutions including logistics, payment, and localization support catering to each local market's needs. The priority markets this year were Hong Kong, Taiwan, Singapore and Malaysia. Some of the recent localization initiatives included the launch of Tmall Supermarket in Hong Kong and door-to-door furniture delivery and assembly in Singapore and Malaysia.
- Over 600 million consumers in South East Asia could access “Taobao Collection” via Lazada.
- Tmall World supported 100 Chinese Brands including HLA, Peacebird, Pechoin, Gree, Haier, Joyoung and Shanghai Jahwa who will offer special promotions to the Chinese consumers in the Asia region.

Comments from Fung Business Intelligence

This year, Alibaba not only competed on price, but demonstrated its advanced retail technologies together with brands. Alibaba tried to showcase to the world that China is no longer just following, but leading the world in e-commerce and consumer engagement with advanced technologies. Meanwhile, amid the potentially slower growth in e-commerce going forward, Alibaba, as well as other e-commerce players, need to use some other strategies such as engaging offline stores, entertainment, new and exciting technologies, etc. to attract consumers and encourage them to spend.

On the other hand, Alibaba wants to understand their customers' buying habits and lifestyles in order to predict their needs. Alibaba does not serve only to meet customer demand, but to create customer demands. Alibaba is also actively going global to gather global purchasing information and understand global consumer needs for its further expansion internationally. For instance, Alibaba has teamed up with the Malaysia government to create a regional hub in Kuala Lumpur. It has also increased its stake in Lazada to 83% and leveraged the Lazada platform to sell to consumers in the South East Asia.

Indeed, we think that the GMV figure is not the only significant parameter when reviewing the results of this year's 11.11 Global Shopping Festival. Many consumers were buying more than they actually need – they can return the unwanted goods conveniently within 7 days for most of the products via the improved reverse logistics infrastructure. Reviewing the efficiencies of logistics, the conversion rates and integration of online and offline retailing, and also how the advanced technologies were applied in the retail market would be more meaningful to both Alibaba and brands.

Beyond the blockbuster sales, the 11.11 Global Shopping Festival also created an enormous amount of waste. According to Greenpeace, the manufacturing, packaging and shipping linked to the event produced 258,000 tons of carbon dioxide emissions in 2016¹. Environmental protection is certainly the thing Alibaba needs to work on in order to become a socially responsible leader.

Reference:

¹ "\$25 billion in 24 hours: World's biggest shopping day sets new record", 11 November 2017, CNN.
<http://money.cnn.com/2017/11/11/technology/singles-day-china-alibaba/index.html>

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