

FUNG BUSINESS INTELLIGENCE

Asia Distribution and Retail

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The use of social media in the context of e-commerce is gaining traction in China. The booming mobile generations and accelerated growth of social media usage are fuelling the growth of social commerce. Increasing numbers of consumers are making their purchases through social media platforms such as WeChat and Xiaohongshu these days. The boom of social commerce has revolutionized and reshaped the competitive landscape of the e-commerce sector, so as the way people shop, and how brands and retailers should market and sell their products. Social commerce is set to proliferate over the next few years and become one of the mainstream sales channels.

This article looks at the rise and evolution of social commerce in China and reviews the latest developments and implications for brands and retailers.

Key takeaways

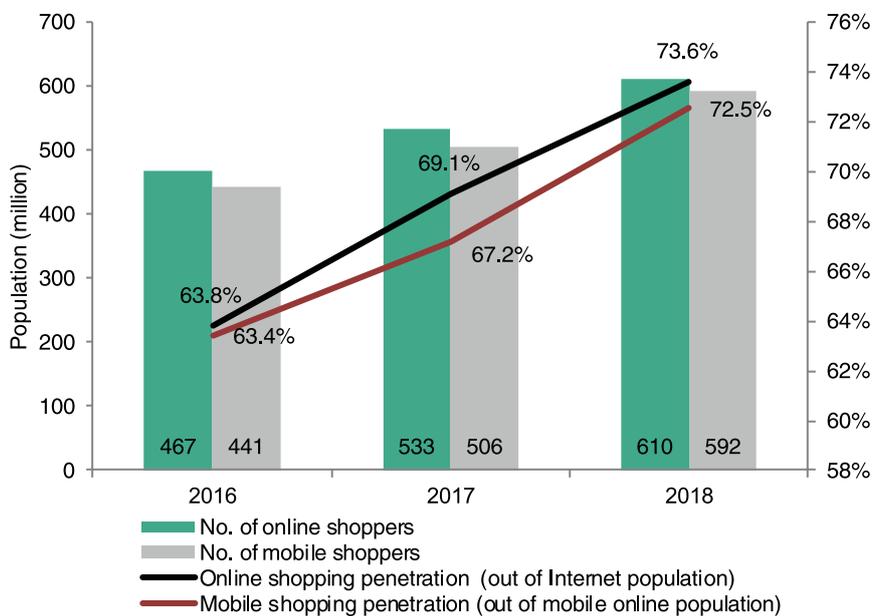
- **Huge growth potential of China's social commerce sector.** China's social commerce market is estimated to reach 547.4 billion yuan in 2018 and increase to 2,419.4 billion yuan in 2022. The huge growth potential has drawn the attention of investors – the sector attracted over 2 billion yuan of financing in 1H19.
- **Social commerce revolutionizes consumers' purchase journey.** Social media is now an integral part of consumers' daily lives. It not only is a platform for consumers to look for product information and share experience but also a popular marketplace for consumers to buy online. Young consumers, in particular, are more likely to make purchases on social commerce sites based on friends' or KOLs' recommendations.

- ***Social media becomes a popular marketing and sales channel.*** In today's digital era, traditional way of marketing and selling can no longer capture the attention of the "post-90s" and "post-00s" generations – who are the most promising consumer segments in China. Increasing numbers of brands and retailers are using social media to market and sell their products.
- Currently, there are ***three major types of social-commerce platforms***, each adopting different business models – content-sharing platforms, membership-based platforms, and team purchase platforms. These platforms share some common characteristics: they are online marketplaces which allow customers to look for product information and compare products, place orders, and also share their product usage experiences and recommendations. They also provide value-added services and functions such as IT infrastructure support and embedded marketing tools, as well as create and provide content for merchants and users on their platforms.
- ***"Content is king" is more relevant than ever.*** In China, user-generated content is one of the most effective ways to increase engagement and customer reach. Content which is highly relevant, straightforward, attractive yet easy to recall will be more likely to gain consumer engagement and boost brand affinity. Interactive elements such as live streaming, short videos, VR/ AR are also essential to improving customer experience.
- ***KOLs become a pivotal part of social commerce.*** KOL marketing is crucial in China as young consumers' purchase decisions are highly influenced by KOLs. KOLs can help brands and retailers build brand awareness, drive sales, and gather customer insights. Apart from popular KOLs, brands and retailers could consider working with smaller influencers, or so-called local opinion leaders (LOLs) who are more influential among certain target customer groups.
- To stay relevant in the market, ***tapping social commerce is a must for brands and retailers.*** However, as the social media landscape is evolving everyday with the emergence of numerous innovative social media platforms, it is crucial for companies to keep a close watch on the development of these platforms.

Why social commerce is gaining popularity?

Shopping online via mobile devices is becoming increasingly common these days. The convenience brought by online shopping has revolutionized the way how people shop – this allows Chinese consumers to do shopping anytime, anywhere without much hassle. According to China National Commercial Information Center, the number of online shoppers in China increased from 533 million in 2017 to 610 million in 2018; of which 592 million were mobile shoppers, up from 506 million in 2017. This has created a good foundation for the growth of social commerce in the country (Exhibit 1).

Exhibit 1: Chinese online shoppers: population and penetration, 2016 – 2018



Source: China National Commercial Information Center, compiled by Fung Business Intelligence

Social media is now an integral part of consumers' daily lives. It not only is a platform for consumers to look for product information and share experience but also a popular marketplace for consumers to buy online. Chinese consumers' heavy involvement on social media platforms has supported the growth of social commerce – it has evolved into a new sales channel and opened up new business opportunities for brands and retailers, as well as individuals who want to tap the huge potential of the social commerce market (see Box 1).

Box 1 Evolution of social commerce in China

Infancy stage (2010 onwards)

Development of China's social commerce market started with the emergence of "micro-stores" in early 2010. Riding on the rising popularity of social media platforms such as WeChat, some users set up their stores on these platforms and became micro-store owners or individual sellers. They usually promoted their products by sharing users' experiences, product comparison, etc. through publishing posts and sharing among their "circle of friends". Friends might like and share these posts to their own friends, which helps promote or advertise the products further. The cost of advertising is, therefore, relatively low compared to the traditional way of marketing. To attract more customers (usually friends of friends), products sold are usually marked at a lower price. Transactions at this stage were made mainly among circle of friends, leading to the rise of peer-to-peer e-commerce.

Booming and experimental stage (2012 onwards)

The evolution of micro-stores continued at this stage. Increasing numbers of influencers, also known as Key Opinion Leaders (KOLs), and Internet celebrities set up their own larger-scale stores on social media platforms. Some famous KOLs such as fashion blogger Becky Li, who has over 5 million followers on Weibo and more than 4.5 million followers on her WeChat account "Becky's Fantasy", launched their own brands, mostly fashion or beauty brands. To better engage and build up trust with followers, the KOLs regularly share their experience in using different products and provide styling tips. This has provided a solid foundation for the growth of KOL marketing.

At the same time, some e-commerce players strived hard to tap the social commerce sector by transforming themselves from solely transaction-based platforms to "transaction plus content-sharing" platforms. For instance, Alibaba added live streaming function which supports instant purchases with embedded transaction links. Since then, live streaming has become a common tool for KOLs to connect with their followers. More brands and retailers started to collaborate with KOLs to host live streaming events to market and sell their products. Many have also leveraged short video apps such as Douyin (also known internationally as Tik Tok) and Kuaishou to engage with followers. As a case in point, beauty blogger Austin Li, also dubbed the "Lipstick King", is one of the most popular lipstick sellers in China with more than 28 million followers on Douyin and 4 million followers on Taobao's live streaming channel. He gains his fame by live streaming reviews of lipsticks on social media and holds a record of selling 15,000 lipsticks within five minutes.

Proliferation stage (2019 onwards)

Nowadays, the stages described above all appear together – as individuals are opening their own micro-stores on social media platforms, while brands and retailers are marketing and selling through KOLs on top of setting up their own social media accounts (e.g. WeChat public accounts). The variation in types and formats of social commerce can cater to the needs of different types of sellers and buyers.

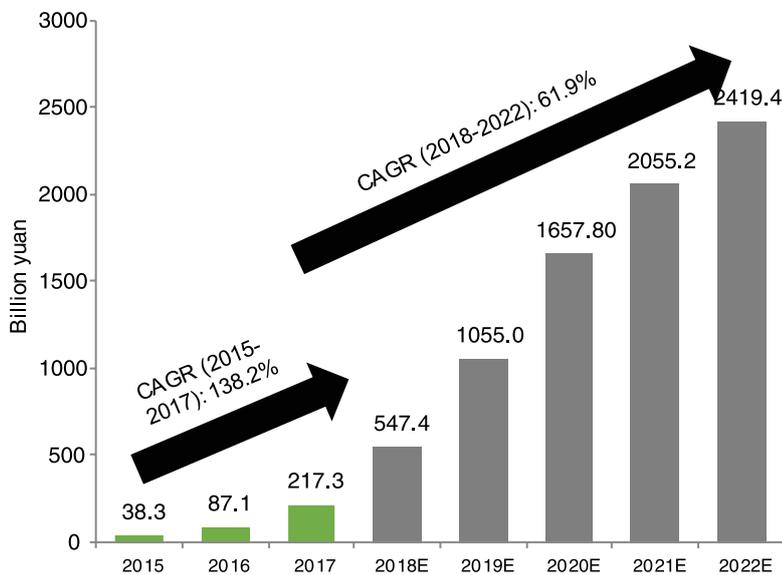
With peer-to-peer e-commerce and KOL marketing continually on the rise, social commerce is set to become the next wave of retail. Moreover, the ease of setting up stores on social media platforms offers huge opportunities for almost everyone – be it individual or brand.

What is the market size of the social commerce sector in China?

China's social commerce market grew at a compound annual growth rate (CAGR) of 138.2% from 2015 to 2017, and is expected to reach 547.4 billion yuan in 2018 and further to 2,419.4 billion yuan in 2022, according to iiMedia Research (Exhibit 2).

The huge growth potential of the social commerce sector in China has drawn the attention of investors. According to Ebrun, the sector attracted over 2 billion yuan of financing in 1H19. Exhibit 3 shows selected examples of capital injection into various social commerce platforms in 2018 and 2019.

Exhibit 2: Market size of social commerce in China, 2015 – 2022E



Source: iiMedia, compiled by Fung Business Intelligence

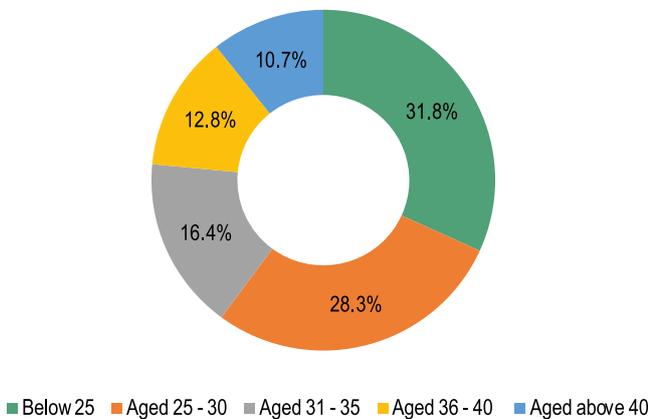
Exhibit 3: Selected examples of capital injection into social commerce platforms in 2018 and 2019

Date	Company	Capital injection details
March 2018	Look	Completed Series A financing worth US\$2.2 billion
April 2018	Pinduoduo	Completed a round of US\$3 billion worth financing; led by Tencent and Sequoia Capital
April 2018	Liwushuo	Completed Series C1 financing of 100 million yuan
April 2018	Youzan	Successfully listed on Hong Kong Stock Exchange
April 2018	Yunji	Completed Series B financing of US\$120 million; backed by CDH Fund and other investors
June 2018	Haoyiku	Completed Series A financing of 100 million yuan; led by IDG investment
July 2018	Global Time	Received strategic investment from ZTO Express
August 2018	Weimob	Received US\$321 million worth of financing from GIC, Tencent, and Guohe Capital
October 2018	Aikucun	Completed Series B financing of US\$110 million; backed by Sinovation Ventures, GGV, etc.
November 2018	Jingling	Completed Series B rounds of financing
December 2018	Mogujie	Listed on New York Stock Exchange
December 2018	Wsmall.com	Submitted IPO document to Hong Kong Stock Exchange
January 2019	Linlinyi	Completed Series A financing of US\$30 million; backed by Capital Today, Suning Ecosystem Fung, Gaorong VC, Source Code Capital, Sequoia Capital China etc.
January 2019	Yuanchuang Youpin	Initial rounds of financing worth a few million yuan
January 2019	Jinlin	Initial round of financing of nearly 20 million yuan; invested by Horus Capital
January 2019	Yingyan zhixuan	Initial round of financing of 3 million yuan; invested by Blue Power Capital
January 2019	SO50.com	Completed tens of millions of yuan of strategic financing; invested by ZTO Business
February 2019	Tuiquan	Initial rounds of financing worth a few million yuan
February 2019	Supermonkey	Completed Series D financing of 360 million yuan; led by Starquest Capital and Yaowei Capital, and Dong Fang Hongtai Capital Investment
March 2019	Yihao Shenghuo	Completed Series B1 financing of tens of millions yuan; led by Ganfeng Capital, Hongdao Capital, and Empower Investment
March 2019	Shehuipin	Received initial round of capital of 23 million yuan from Shanghai Yifeng Capital and other investors
March 2019	Laisanjin	A few millions worth of investment from Longling Investment
July 2019	Beidian	Received 860 million yuan of financing from Hillhouse Capital Group, Xianghe Capital, Sequoia Capital, Sinovation Ventures, Gaorong VC, IDG Capital

Who shop the most on social commerce platforms? What are the most popular items sold on these platforms?

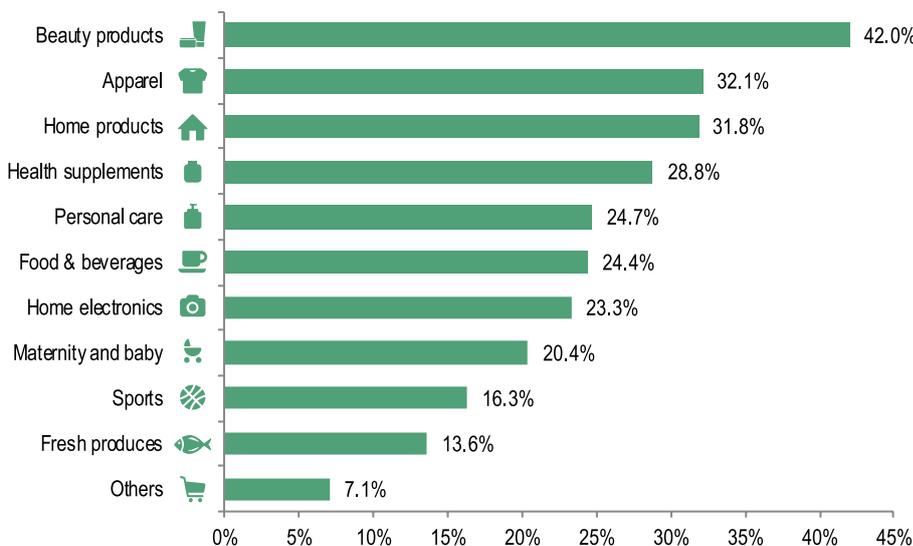
Young consumers, particularly those aged below 25, i.e. those born after 1990s and consumers aged 25-30 are the key consumer groups shopping on social commerce platforms. The two groups together made up over 60% of all shoppers on social commerce platforms (Exhibit 4). In terms of the most popular items sought after by social commerce shoppers, beauty products came first (42.0%), followed by apparel (32.1%) and home products (31.8%) (Exhibit 5).

Exhibit 4: Age distribution of shoppers on social commerce platforms, 1Q18



Source: iiMedia Research, compiled by Fung Business Intelligence

Exhibit 5: Popular items bought on social commerce platforms, 1Q18



Source: iiMedia Research, compiled by Fung Business Intelligence

Which are the major social commerce platforms in China?

Currently, there are three major types of social commerce platforms in China, each adopting different business models – content-sharing platforms, membership-based platforms, and team purchase platforms (Exhibit 6). These platforms, however, share some common characteristics: they are online marketplaces which allow customers to look for product information and compare products, place orders, and also share their product usage experiences and recommendations. These marketplaces also provide value-added services and functions such as IT infrastructure support and embedded marketing tools, as well as create and provide content for merchants and users on their platforms.

Exhibit 6: Major types of social commerce platforms and selected representative companies



Source: Various Internet sources, compiled by Fung Business Intelligence

(1) Content-sharing platforms

As the name implies, content is the key focus and core element of content-sharing platforms. Besides, different communities – formed by consumers with similar interests – are commonly seen in many content-sharing platforms. Users or KOLs often publish posts with content such as product usage experiences, together with detailed product features to arouse community members' interests and lure them to buy the products. Much of the user-generated content (UGC) is delivered and shared in interactive ways such as live streaming and short videos to resonate with the young generation. Followers can immediately place their orders through the links embedded in the posts or videos.

Good content – attractive and highly relevant to customers – plays a critical role in creating a strong connection between consumers and brands, while increasing sales conversion. A recent research by BCG and Tencent shows that almost half of the surveyed Chinese luxury shoppers receive information about brands from social media, mostly KOLs' posts on social platforms and brands' social media accounts, as well as other digital advertisements. To leverage the influence of content in driving sales, many retailers and e-commerce platforms have collaborated with KOLs to market and sell products. Recently, luxury goods e-commerce platform Farfetch joined hands with Tao Liang or more commonly known as Mr. Bags, China's top luxury handbag influencer to launch a co-branded WeChat Mini Program store – “Mr. Bags with Farfetch”. This Mini Program store is linked to Mr. Bag's official WeChat account, allowing him to link the bags mentioned in his posts to the co-branded Mini Program store. Farfetch customers/ followers can stay on Mr. Bags' WeChat account while placing orders on the co-branded Mini Program store and enjoy the convenience of “see-now-buy-now” within WeChat's ecosystem. Under this cooperation, Farfetch will also open up its over 3,000 brands product selections from over 50 countries to Mr. Bags.



“Mr. Bags with Farfetch”
Image source: ladymax

Currently, Xiaohongshu and Mojujie are some of the popular content-sharing platforms in China. Increasing numbers of both local and foreign brands are marketing and selling their products on these platforms. Meanwhile, some content-driven short video platforms such as Douyin, Kuaishou and M Raopas have emerged and gained rapid attention. It is reported that Douyin's short videos drove over 200 million yuan of sales for Taobao during the 12.12 Shopping Festival in 2018.

Profiles of selected prominent content-sharing platforms

Xiaohongshu

- A social commerce site dedicated for overseas luxury goods, primarily for fashion and beauty products; a highly-engaged community of savvy users who research and review their products extensively on the app
- Founded in 2013 as an experience-sharing/ recommendation platform for overseas purchases; later in July 2014, it started to engage in e-commerce by sourcing products directly from overseas, and allowing brands to set up storefronts on its platform
- Highly community- and content-driven; it operates like a combination of Instagram and Amazon where users share photos and videos, write posts and tag items in the pictures that link to e-commerce listings; content can go viral via word-of-mouth and also through KOLs' posts
- More than 220 million registered users as of March 2019; most of the users were born after 1990s One of the very few platforms invested by both Alibaba and Tencent; received US\$300 million in Series D investment round led by Alibaba in May 2018
- Launched its own private label ReDelight and offline retail store RED HOME in 2018

Mogujie

- An online community focusing on fashion and trendy products; offers live streaming, short videos, photos and reviews functions; supports product selling during the live streaming session. It also offers group purchases and flash sales
- Founded in 2011 in Hangzhou, and merged with Meilishuo and Taoshijie.com (a C2C cross-border platform under Meili Inc and ceased operation in August 2017) to form a new group Meili Inc. in 2016
- Listed on the NASDAQ in December 2018
- Can be accessed through mobile app and WeChat Mini Program (launched in July 2017) Targets users aged 18-23; average sales per customer are around 100-200 yuan
- Covers major product categories including female clothing, bags, accessories, cosmetics, childrenswear, home products, and some male clothing
- 328 million monthly active mobile users as of December 2018

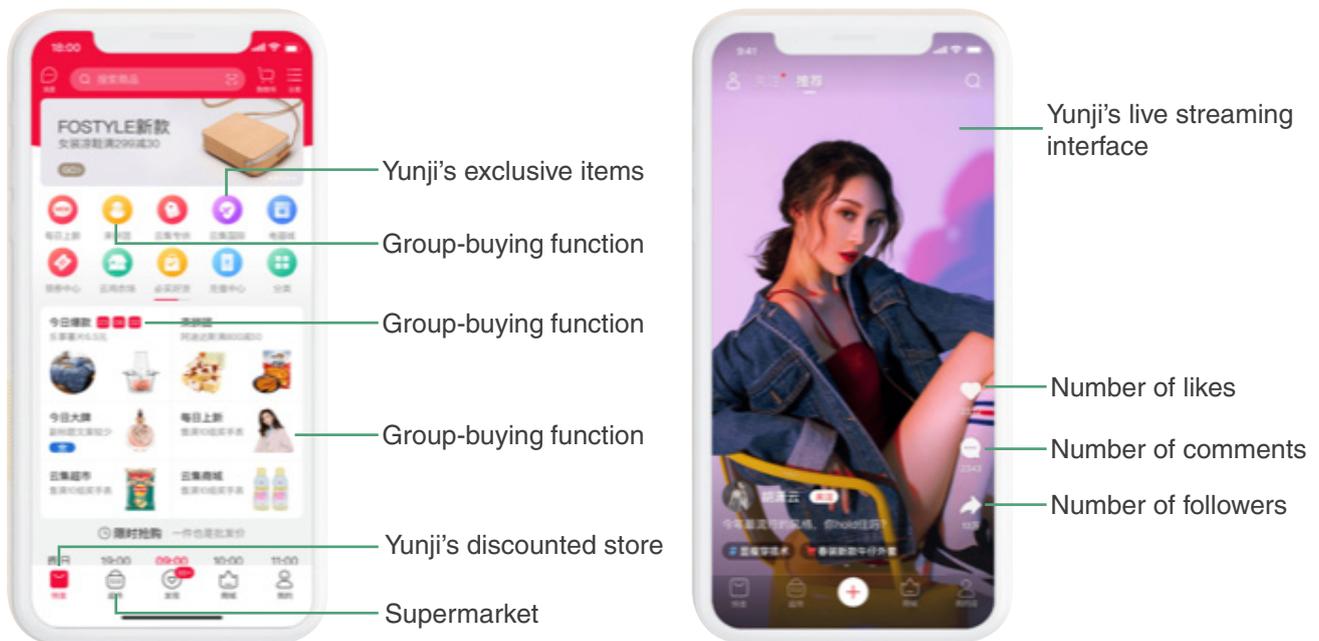
Douyin

- A fast-emerging short video social network – in the form of an app – for users to post and share self-created short videos; integrates external online shopping links from Alibaba's e-commerce platforms into its platform, supports watching live streaming and shopping online at the same time
- Founded in September 2016 by Beijing Bytedance Technology, which also owns a number of other popular content and short video and platforms including Toutiao, Musical.ly, Topbuzz, ixigua and Huoshan Video
- Currently available in over 150 countries and regions; one of the most popular short video apps globally especially in Asian countries such as Thailand, Japan, Indonesia, India and Vietnam
- Targets young users – over half of them are aged below 24, and live in tier-1 and tier-2 cities
- Around 500 million monthly active users (MAUs) globally as of July 2018; over 300 million MAUs and 150 million average daily active users in China

(2) Membership-based platforms

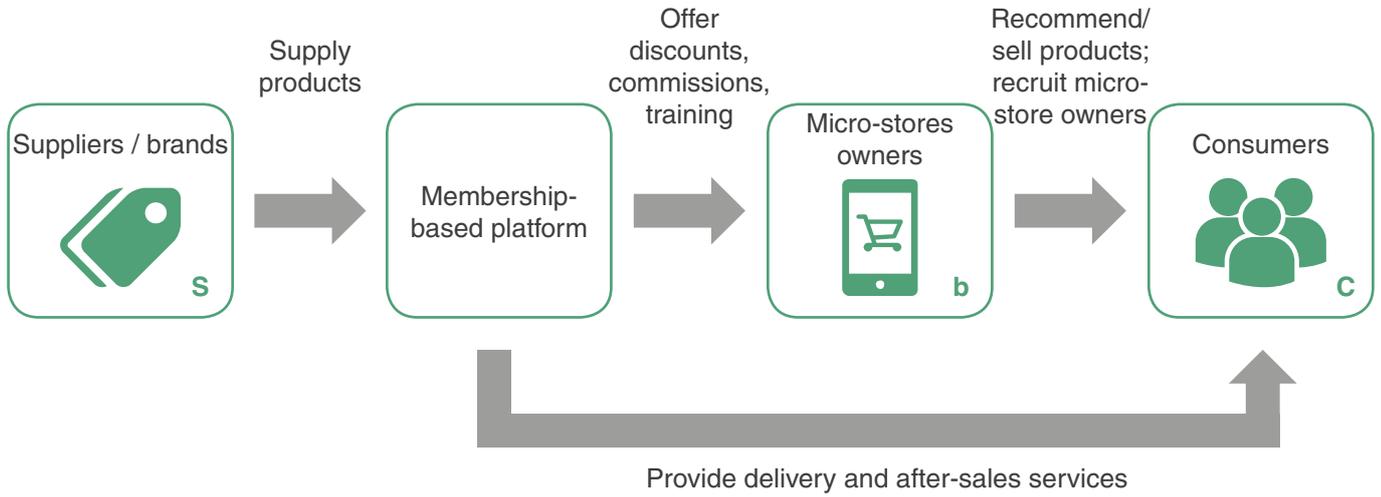
Membership-based platforms have seen rapid growth in recent years. According to iResearch, the market size of membership-based platforms in China rose from 0.9 billion yuan in 2015 to 84.2 billion yuan in 2018, and is expected to increase to 564.4 billion yuan in 2021.

In China, many membership-based platforms adopt a S2b2C model. Take Yunji, a NASDAQ-listed membership-based social commerce platform in China as an example. Yunji sources products directly from suppliers/brands (S) and sells to micro-store owners (b) on its platform; micro-store owners then distribute the products to their social contacts, i.e. final consumers (C). Under Yunji's membership-based business model, both micro-store owners and consumers are considered as its members. Upon receiving membership fees from micro-store owners, Yunji connects them with brands, distributors or factories and provides services such as supply chain, logistics services, IT system, training and after-sales services. Micro-store owners in turn can earn commissions once they have successfully sold the products or recruited new members to join Yunji, either as ordinary consumers or micro-store owners (Exhibit 7).



Screenshots of Yunji app
Image source: Apple's app store

Exhibit 7: Yunji's membership-based business model



Source: Fung Business Intelligence

It is common for membership-based platforms to have different tiers of membership as they rely heavily on their members to generate income. Platform operators need to be mindful not to engage in pyramid selling which violates the law in China as the Chinese government is strictly regulating pyramid selling, or multi-level direct selling in China.

Profiles of selected leading membership-based platforms

Yunji

- A membership-based platform adopting the S2b2C model – it sources products directly from suppliers or brands, and sells via micro-store owners on Yunji platform; micro-store owners then share products with their social contacts and lure them to make purchases
- Founded in May 2015 by Xiao Shanglue and was listed on the NASDAQ in May 2019, raising US\$121 million in its initial public offering
- Adopts a “Three 500s” strategy when working with suppliers – cooperates with 500 major brands, 500 innovative brands, and 500 high-standard factories; Yunji has 1,369 suppliers as of December 2018
- Sells a wide range of goods in various categories including cosmetics, personal care, maternity and baby products, food and beverage, home products, home textile, digital products, home electronics, apparel and affordable luxury goods
- Started its cross-border e-commerce (CBEC) business in January 2016 to source popular overseas products via CBEC channel to China
- 23.2 million customers and 7.4 million micro-store owners as of December 2018

Beidian

- A membership-based social commerce platform which sources directly from manufacturers for non-agriculture products and suppliers for agriculture products; holds inventory, which is different from many other social commerce platforms
- Each registered user is required to buy a welcoming package or a specific product worth 398 yuan to become a store owner. Users/ store owners connect directly with suppliers and receive supporting services such as marketing, distribution, delivery service and after-sales services
- Store owners can earn commissions based on the sales performances of their own stores or their friends’ stores (those referred by them)
- Founded in August 2017 by maternal and child care conglomerate Beibei Group
- Covers mainly home products, apparel, food, cosmetics and maternity and kids products 50 million registered users, including 10 million MAUs as of 1Q19

(3) Team purchase platforms

Similar to group buying platforms, team purchase platforms allow consumers to purchase goods at a lower than unit price by forming themselves into teams with at least two persons (one initiator and one participant). Once the team purchase orders are created on a team purchase platform such as Pinduoduo or JD Pingou, they are shared among the initiators' "circle of friends" (de facto consumers) on social media. Consumers are willing to share the good bargain with others as they want to enjoy the reduced product price and earn the commissions if their friends join the team purchase and successfully place orders.



Interface of Pinduoduo
Image source: Fung Business Intelligence



Interface of JD Pingou
Image source: gelonghui.com

The team purchase model has seen rapid growth in recent years. According to iResearch, the market size of the team purchase platforms reached 535.28 billion yuan in 2018, up 257.6% yoy and is expected to reach 2,142.4 billion yuan in 2021. This type of platforms is particularly good fit for consumers in lower-tier cities as they are more price-conscious in general. While from brand owners or retailers' perspectives, team purchase platforms are a good channel to clear inventory or off-season items. However, it is noteworthy that some platforms such as Pinduoduo are being accused of allowing users or merchants to sell counterfeit products on their platforms.

Profiles of selected major team purchase platforms



Pinduoduo

- A third-party social commerce platform that provides group buying offers at reduced prices. Currently, all products offered are supplied by individual merchants, who are responsible for sourcing their own products
- Founded in September 2015 in Shanghai and was listed on the NASDAQ in July 2018, raising US\$1.63 billion; the third largest e-commerce player in China (market share: 5.2% in 2018, eMarketer)
- Can be accessed through mobile app and WeChat Mini Program
- Covers major product categories including apparel, shoes, bags, mother and childcare products, food and beverage, fresh produce, electronic appliances, furniture and household goods
- 289.7 million MAUs as of 31 March, 2019; 443.3 million active buyers in the twelve-month period ended 31 March, 2019
- Over half of Pinduoduo's customers live in tier-3 and tier-4 cities; over half of Pinduoduo's customers are aged 20-29
- Tencent is the second largest shareholder, holding 18.5% stake of the platform – Tencent led Pinduoduo's Series C financing round in February 2017 and again invested in the company in April 2018



JD Pingou

- A social commerce platform that focuses on group-buying at discounted prices; features the concept of "low price but not low quality"
- Launched by JD.com in February 2018; available on JD Pingou's own mobile app, JD.com's mobile app, WeChat Mini Program, QQ's mobile app, WeChat's Shopping Channel under "Discovery" and also available on Qutoutiao, an online platform targeting users in lower-tier cities
- The only social commerce platform which can be accessed through both WeChat and QQ 80% of goods sold on the platform come from JD.com's merchants
- Covers major product categories including apparel, consumer electronics, daily necessities, home products and beauty products
- Accumulated number of users on WeChat Mini Program: 213 million as of September 2018
- The platform will spin off from its parent company starting from September 2019



Alipay Pintuan

- A group-buying function within Alipay and appears on the main interface of Alipay app; jointly launched by Alipay and Taobao in July 2018
- Provides "limited time offers" for selected products at specific times of the day – 9 am, 2 pm and 7 pm; the deals usually offer more than 50% discount
- Products are from merchants on Taobao but sold at reduced prices; currently covers 12 product categories such as daily necessities, food and apparel
- Highly connected with Taobao – orders placed on Alipay Pintuan can be viewed in users' Taobao accounts as its membership system is linked with Taobao's system; recommendation of group-buying offers are based on users' shopping history in Taobao

Exhibit 8 highlights the pros and cons of the three major types of social commerce platforms.

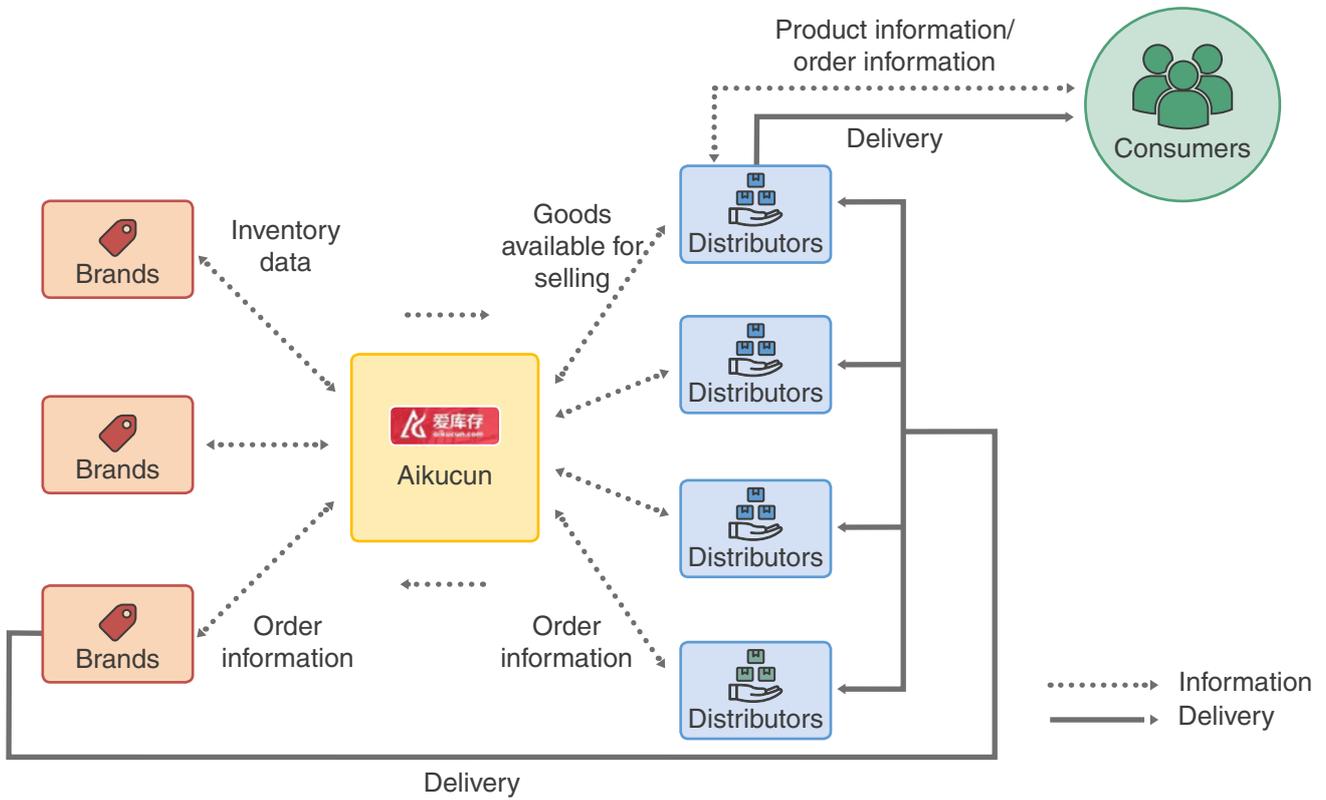
Exhibit 8: Pros and cons of the three major types of social commerce platforms

	Content-sharing platforms	Membership-based platforms	Team purchase platforms
Pros	<ul style="list-style-type: none"> Great content and the right KOLs can help build positive brand perception in the minds of target consumers →possibility to sell goods with higher value Target marketing can be done more easily as consumers usually share similar interests A good channel to convey brand stories and messages 	<ul style="list-style-type: none"> Members can drive sales in a short period of time Able to provide value-added services for suppliers and brands; can provide feedback to suppliers based on members' feedback 	<ul style="list-style-type: none"> Products are usually sold at lower prices; can attract price-conscious consumers A good channel for brands and retailers to clear inventory
Cons	<ul style="list-style-type: none"> Sales are highly dependent on the popularity or trustworthiness of the KOLs Need to put more resources on generating attractive product content 	<ul style="list-style-type: none"> Rely too heavily on members to generate revenue Difficult to retain/ engage members May wrongly perceived as pyramid-selling nature by consumers 	<ul style="list-style-type: none"> Focus on bargain sales; business model may not be in line with the consumption upgrading trend Counterfeit goods and knockoff products are a huge concern Difficult for merchants to build brand awareness and increase brand stickiness

Source: Fung Business Intelligence

Other than the three major types of platforms mentioned above, there are other new and emerging platforms in the market. An example is Aikucun, an online inventory clearing distribution platform for high-end apparel brands. Founded in 2017, the platform adopts the S2b2C model and connects 5,000-plus high-end brands worldwide (S) with over 1 million distributors (b), who then sell the off-price products to consumers (C) via WeChat (Exhibit 9). Under Aikucun's business model, distributors or "daigou" (who could be anyone – store owner, college student, full-time mom, etc.) receive information of brands and products available through Aikucun's app. They then deliver product messages to customers – followers and friends on their WeChat accounts, while customers place orders with the distributors. After receiving orders from customers, distributors arrange order delivery with Aikucun and earn agency margin from the platform, running no risk of bearing inventory. Since all product information is only distributed in image and text via WeChat and cannot be found in any search engine, this helps ensure that products sold on Aikucun will not affect sales in the brands' regular distribution channels. Aikucun also ensures that brands can receive 80% of their money within seven days after delivering goods to its platform, providing a great incentive for brands wishing to get rid of excess inventory quickly to join the platform. As of December 2018, Aikucun's GMV reached 3 billion yuan.

Exhibit 9: Aikucun's business model



Source: Various Internet sources, compiled by Fung Business Intelligence

Key insights and implications for brands and retailers

Social commerce revolutionizes consumers' purchase journey; opens up huge business potential

Fung Business Intelligence believes that social commerce is set to flourish in China given the high penetration of Internet access via mobile devices and the wide acceptance of online shopping among Chinese consumers. Peer influence on social media will further accelerate the growth of social commerce, as consumers, especially the younger millennials (or “post-90s” generation) and Generation Z (or “post-00s” generation), are more likely to make a purchase on social commerce sites based on friends' recommendations. The rise of content-sharing platforms, in particular, provides a new channel for everyone – consumers or KOLs – to share travelling and styling tips, recommend products and even sell products through the embedded links. This revolutionizes the entire purchase journey of consumers.

Social media platforms: key marketing and sales channel to go for

Traditional way of marketing and selling is no longer be able to capture the attention of the “post-90s” and “post-00s” generations – who are the key consumer segments in China today. To keep pace with the rapidly evolving China market, brands and retailers need to constantly review their sales and marketing strategies and cope with the new needs of the digital era. Forming partnerships with social media platforms is desirable as brands and retailers can leverage their huge user base and innovative marketing capabilities to communicate brand stories and messages to followers/ customers.

Content, content, content

Nowadays, the marketing buzz phrase “content is king” is more relevant than ever. Brands and retailers should take this into consideration when planning for their social media marketing and sales strategies. Content which is highly relevant, straightforward, attractive yet easy to recall will be more likely to gain consumer engagement and boost brand affinity. In China, user-generated content (UGC) is one of the most effective ways to increase engagement and customer reach. Moreover, virtual reality (VR) and augmented reality (AR) are big hit in the country. Creating and sharing VR and AR type content is also essential to improving customer experience. Besides, live streaming on major platforms is a must. The live streaming shopping medium is a great way for brands and retailers to interact with customers and drive sales.

KOLs become a pivotal part of social commerce

KOLs are becoming more powerful and influential in China. The rise of KOL marketing has shifted online shopping from search-based to recommendation-based. Young consumers' purchase decisions are highly influenced by KOLs. Brands and retailers should consider partnering with KOLs to market and sell their products. Through interacting with fans/ followers in live streaming broadcasts or some other means, KOLs not only can help brands and retailers build brand awareness and drive sales, but also gather customer insights. Nevertheless, it should be noted that KOL marketing in China is getting more complex with huge numbers of influencers arising in different communities and specializing in different areas. Before deciding which KOLs to work with, brands and retailers should look carefully at KOLs' track records in partnering with other brands – as different KOLs have their own areas of expertise and abilities in marketing and selling products. Moreover, brands and retailers could work with smaller influencers, or so-called local opinion leaders (LOLs) who are more influential among certain target customer groups.

No one-size-fits-all approach; keeping track on latest developments

Social commerce is set to become the next wave of retail; tapping social commerce is a must for companies wishing to stay relevant in the market. When devising their social commerce strategy, brands and retailers need to come up with one that fits well with their product portfolio and brand image. Meanwhile, the social media landscape is evolving everyday with the emergence of numerous innovative social media platforms. It is crucial for companies to keep a close watch on the development of these platforms.



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