

Understanding Singles' Day (11.11) and the Rise of O2O Retailing in China

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From its humble origins at Nanjing University in 1993 as a day of celebration by male students without a girlfriend, Singles' Day (Guāng Gùn Jié – 'Single Sticks' Holiday) on every November 11 (11.11) was in 2009 turned into a Chinese (and global) online shopping festival by e-commerce giant Alibaba.

Today, Singles' Day is by far the world's biggest online shopping bonanza with total sales this year reaching incredible **RMB 168.3 billion (USD 25.4 billion)** in just 24 hours, 20% more than the total GDP of Iceland. By comparison, the two largest shopping days in the USA, Black Friday on November 24 and Cyber Monday on November 27 both reached record sales of USD 3.0 billion and USD 3.45 billion respectively in 2016.

Alibaba has openly declared that it wants to make 11.11 a global shopping day that will also bring Chinese brands overseas. The Singles' Day phenomenon has already been spreading to other e-commerce platforms in China and countries in Southeast Asia. Even in Scandinavia, the leading consumer electronics retail chain Elkjøp/Elgiganten celebrated 11.11 for the first time this year.

Despite the phenomenal growth in online retail sales in China epitomized by Singles' Day and the rise of e-commerce giants like Alibaba (Taobao and Tmall) and Jingdong (JD.com), winning new customers is getting more challenging in a fiercely competitive market.

As Chinese consumers are looking for new and more personally engaging buying experiences, both players have been investing heavily in brick-and-mortar businesses leading to the convergence of offline-to-online (O2O) sales.

This year, Alibaba partnered up with 52 shopping malls to create 60 pop-up stores in 12 cities across China. Moreover, it turned 100,000 physical shops into 'smart stores' with technological innovations like facial recognition payment solutions and scan-and-deliver shopping to generate more sales during Singles' Day.

O2O retailing in China is starting to resemble interactive showrooms where customers can see, touch, try and play with the physical products and even use VR devices before going online to buy.

The Singles' Day shopping frenzy and the massive international media coverage it is now getting is another indicator of how important the Chinese retail e-commerce market has become to overseas brands. China is not just a follower but the world leader in m-commerce, mobile payments and consumer interaction.

MIND-BLOWING NUMBERS

To better understand the size and scope of Singles' Day 2017, the following key numbers from Alibaba will put things into perspective.

Sales (Gross Merchandise Volume)

Year	2012	2013	2014	2015	2016	2017
RMB (billion)	19.6	35.0	57.1	91.2	120.7	168.3
USD (billion)	3.1	5.8	9.3	14.3	17.8	25.3
Growth	-	78.6 %	63.1%	59.7%	32.3%	39.4%

For comparison, JD.com generated a total sale (GMV) of RMB 127.1 billion (USD 19.14 billion) from November 1-12, 2017 during their Singles' Day Festival.

Products and Brands

- 15 million products from more than 140,000 brands including 60,000 international brands compared to 27 brands in 2009 and 100,000 brands in 2016.

Transactions

- Total of 1.48 billion transactions in 2017 (average of 17,130 per second) compared to 1.05 billion in 2016 equal to an annual growth of 41%. 256,000 payment transactions per second at peak.

Orders

- Total of 812 million orders in 2017 compared to 657 million in 2016 equal to an annual growth of 23%. 325,000 orders per second at peak. Total of 1.5 billion parcels to be sent out and delivered.

Merchant Sales

- 167 merchants with sales over RMB 100 million (USD 15.1 million) each.
- 17 merchants with sales over RMB 500 million (USD 75.4 million) each.
- 6 merchants with sales over RMB 1 billion (USD 150.9 million) each.

Mobile Sales

- 2015: 69% of total; 2016: 82% of total and 2017: 90% of total. M-commerce is the rule in China.



BRICK-AND-MORTAR

As the online competition is intensifying, the two major players of Alibaba and Jingdong are investing heavily in physical stores, pop-up shops and service centres to attract more customers to their e-commerce platforms.

Alibaba (Taobao and Tmall)

In August 2015, Alibaba paid USD 4.6 billion for a 19.99% stake in the Chinese electronics retailer 'Suning' with 1,600 stores and 5,500 after-sales service centers. The same year, it opened its first out of currently 13 'Hema' supermarkets where consumers download the Hema app connected to their Alipay account to shop.

In January 2017, Alibaba made a USD 2.6 billion bid for a majority stake in the leading Chinese department store and mall operator 'Intime' with 46 outlets and later bought a large stake in the 'Lianhua' supermarket

chain. This follows Alibaba's 'New Retail' strategy that aims to integrate online, offline, logistics and data across a single value-chain or integrated eco-system.

Jingdong (JD)

Today, Jingdong operates 5,367 delivery and pickup stations in China. To better serve rural China, it has opted for a franchise model named 'Jingdong Bang' that will have over 2,000 service centres by 2017. In April 2015, JD established the O2O supermarket platform 'JD Daojia' that serves over 500,000 vendors in more than 300 cities and cooperates with over 30,000 supermarkets and pharmacies in 18 cities including French supermarket chain Auchan and US hypermarket chain Wal-Mart.

O2O RETAILING

Despite the enormous growth in the Chinese e-commerce (online) market and its impact on traditional retailing (offline), online retail sales in 2016 still accounted for only 15% of total retail sales while the same number for the USA is 8.1% and 10% for Denmark. In China, the lines between offline and online sales are gradually disappearing with new technology and innovation creating more personalized retail experiences.

Singles' Day should no longer be seen as just another annual online sales event on the international retail calendar but more as a plausible projection of where future retail in China (or the world) is heading. The O2O trend can also be seen in the USA where Amazon recently bought the supermarket chain 'Whole Foods Market' for USD 13.7 billion. Google has so far opted for pop-up stores when launching new products.

In the end, Singles' Day and O2O retailing in China is all about the collection and processing of 'Big Data' that enables brands and retailers to better track consumer behaviour, buying preferences and product choices to enhance the customer experience. They are part of a greater technological eco-system where mobile devices and applications, for better or worse, are (re)shaping (future) human interactions.

CONTACT

Noam David Stern, Partner

noam@china-direct.biz

Mobile: +86 136 1169 1358

www.china-direct.biz

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