



IDC: Ten Things to Watch for in the Tenth “Singles Day” Festival

Beijing, November 8th, 2018 — The “Singles Day” shopping festival has become an annual phenomenon in China’s Internet space, with many calling it the world’s biggest shopping day. What highlights can be expected and what business trends will emerge in this year’s iteration? Backed by its continuous tracking of China’s ecommerce industry, IDC has summarized ten things to watch for in the 10th Singles Day festival.

1. New High of Transaction Volume

Between 2009 and 2017, Tmall Singles Day turnover grew from RMB52 million to RMB168.2 billion, representing a CAGR of 174.6%. The festival has become the most important year-end promotion season for Chinese retailers. IDC expects the 2018 Singles Day turnover of Tmall to hit a new high topping RMB220 billion (USD 31 billion), and the total turnover of all major ecommerce platforms to exceed RMB350 billion (USD 50 billion).

2. Intensified Platform Competition

More than 100 ecommerce platforms will join the Singles Day promotion. Alongside major comprehensive platforms such as Tmall, JD, and Suning, the promotion will include other social platforms (Pinduoduo, Xiaohongshu, etc.), premium products platforms (NetEase Yanxuan, Xiaomi Youpin, Good.Tmall, etc.), cross-border platforms (Ymatou, Secoo, NetEase Kaola, etc.,) and fresh products platforms (MissFresh, JD Daojia, etc.). The promotion season started as early as in late October. As Singles Day becomes the main battlefield of ecommerce platforms for year-end promotion, competition is set to intensify.

3. Increasing Brand Name Influence

Price used to be the primary factor of online shoppers’ purchase decision, but the situation has undergone significant changes in recent years. According to IDC’s survey in 2018, over 60% of consumers know what merchants or brands to shop in before purchase, showing a growing influence among brand names. For merchants, it has become increasingly important and costly to build brand equity. High quality, medium price, innovativeness, and meaningfulness will become keywords for products and services.

4. Changing Consumer Preferences

As the digital native generation gradually becomes the main force in the market, especially in view of the faster pace of life, there is a growing expectation for “situational shopping” and an increasing demand for personalized products and high-quality consumption experience. However, consumers are frustrated by complicated promotion rules and hidden traps in the previous two Singles Day and are expecting simple, straightforward discounts this upcoming festival.

5. Comprehensive Online-Offline Integration

Since the new retail concept was implemented, online-offline integration has become the industry consensus. As physical retailers go online, ecommerce companies have been going the other way around, expanding their physical presence through investment, merger and acquisition, strategic cooperation, and logistics network development. This year’s Singles Day will see the players set their channel and product category deployments into operation in the form of all kinds of new physical retail formats such as new-style convenience store, unstaffed store, smart cabinet, supermarket plus catering, pop-up store, and to-store retail.

6. Logistics Network Bracing for the Big Test.

While boosting ecommerce sales, Singles Day has also driven delivery service turnover. According to China’s State Post Bureau, the business volume of China’s express industry exceeded 1.5 billion pieces between November 11 and 16 in 2017 and is expected to exceed 2 billion pieces during the 2018 Singles Day. This will put ecommerce platforms’ self-operated logistics systems and third-party couriers to a daunting test. The smart means used to maintain the effective functioning of logistics networks will therefore be another big thing to anticipate during this year’s Singles Day.

7. Consumption Polarization

The expansion era of China’s Internet industry has become a thing of past. As the industry enters the stage of intensive development, segment markets will assume increasing importance. As the target consumer groups of the segment markets vary in their price sensitiveness (consumers who are price-sensitive and those who are not will go through the corresponding segments), there will be a significant polarization of consumption. This trend is expected to emerge during this year’s festival and boost the sales of the represented ecommerce platforms and merchants.

8. Penetration of Retail Technology

The rapid development of emerging technologies such as IoT, big data, and AI has prompted an increasing number of retailers to consider their business’ digital transformation. During this Singles Day, we will see increasing integration of digital technology with retail business scenarios on both sides of merchant management and consumer experience with increased operating efficiency and improved consumer experience. Thus, this will create more retail technology application cases.

9. Unprecedented Regulatory Tightening

Singles Day is a prominent shopping festival, but also the season when consumer rights violation cases peak. This trend is expected to improve this year as China's Ecommerce Law – adopted August 31st this year – will take effect on January 1, 2019, providing a comprehensive regulatory framework of ecommerce. The 2018 Singles Day, taking place soon before the Ecommerce Law becomes effective, will provide a test field of the law. Meanwhile, the State Administration for Market Regulation convened a meeting attended by representatives of major ecommerce enterprises in late October as a sign of intensified administrative and regulatory management of ecommerce.

10. Impact of Trade War

The impact of the US-China trade dispute on consumers has been reflected in prices and market sentiment. The trade friction will have a greater-than-expected impact on cross-border ecommerce. However, as Chinese consumers represent the main consumer group of the Singles Day festival, and the products for promotion had already entered China before September 1, the impact of the trade tension on the festival will not be as substantial and consumers can still expect a hearty experience of “shopping from home conveniently”.

Upcoming:

IDC China Ecommerce Market Series reports *China Ecommerce Market Shares, 2017* and *China Ecommerce Market Forecast, 2018-2022* will be released soon to provide analysis and interpretation of China's ecommerce market in terms of market size, competitive landscape, vendor developments, and future trends. For more information, please contact Frank Wang via email at fwang@idc.com.

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Figure 1



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