

SINGLES' DAY - GLIMPSE INTO CHINA

But I'm not single anymore...

Singles' Day started as an obscure "anti-Valentine's" celebration for single people in China back in the 1990s, but it has since been moulded into the world's biggest online shopping day.

The date chosen for Singles Day is 11 November, or 11/11 and is charismatically known in China as the "bare sticks holiday" because its numerical looks mirrors the looks of singles.

Seen as a chance to boost sales in the lull between China's Golden Week national holiday in October and Chinese New Year in January or February (Christmas is not popularly celebrated in China), it was adopted by e-commerce giant Alibaba (China's Amazon/eBay equivalent) in 2009 and has become a day when everyone, regardless of their single status, buys themselves gifts.

In that first year consumers spent 50m yuan (around USD 7.3 million) and 27 merchants offered discounts. By 2011 – which was dubbed the Singles Day of the Century because it was 11.11.11 – more than USD 806 million was spent across Alibaba's platform during the day. Last year, Singles' Day rang up \$17.8 billion in sales.



The Beckhams and other stars add glitz to the Alibaba 2016 opening of Singles' Day.

Alibaba is slowly morphing the one-day online shopping frenzy into a retail/entertainment/marketing event.

Facts and Figures

At USD 17.8 billion, Alibaba's online sales in just one day in China eclipsed Brazil's total projected e-commerce sales for all of 2016. Online sales for US and UK comparable dates (Cyber Monday and Black Friday) pale in comparison to a sole ecommerce provider's Single's Day numbers, thanks to the sheer size of the China market coupled with the unfragmented and near-monopolistic reach of Alibaba's ecommerce applications on desktop and mobile.

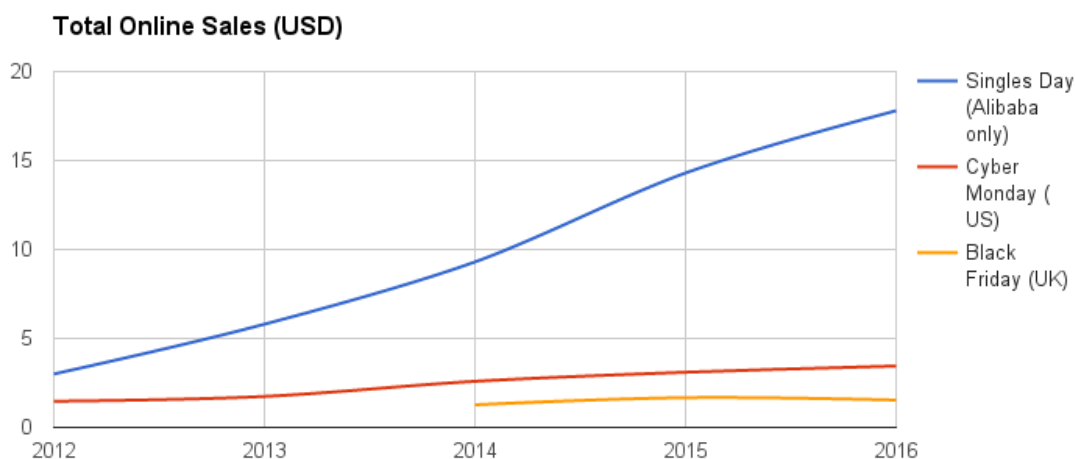
Alibaba's affiliated Alipay payment system (Paypal equivalent) handled more than 1 billion transactions during the 24-hour sale and Alibaba's logistics arm, Cainiao, helped deliver 657 million packages.

Alipay recorded a peak at 120,000 transactions paid per second, with Alibaba at 175,000. In the end, more than 657 million orders were placed on the group's sites.



"Singles Day has become a big event for every consumer in China," Yang Yaqiong of Analysys International's said. "Not only online retail platforms, even if they are offline brick-and-mortar stores, they have to participate in this shopping spree to boost sales."





ONLINE SALES	2012	2013	2014	2015	2016
Singles Day (Alibaba only)	3	5.8	9.3	14.3	17.8
Cyber Monday (US)	1.47	1.74	2.59	3.10	3.45
Black Friday (UK)			£0.81	£1.1	£2.9

Sources: Adobe, Alibaba, IMRG, TechCrunch, Barclaycard

What does this mean?

Although Singles Day will likely not take place in the UK as it falls on Armistice Day, and has to compete with Black Friday, Cyber Monday and Christmas, retailers in the UK and other parts of the world are increasingly interested in participating in the world's largest online consumer group and tag along Singles' Day.

Nearly a third of Alibaba sales on Singles' Day last year were on international names, including Spanish discount grocery retailer DIA, Coop Italia and even Apple, which has closely guarded its presence on online shopping platforms. Chinese consumers are increasingly sophisticated about foreign brands, and foreign brands are getting better every day in connecting with Chinese consumers.

From the UK, House of Fraser, Sainsbury's, the Cambridge Satchel Company, Topshop, Marks & Spencer (M&S) and Holland and Barrett are among the household names participating in one of Alibaba's ecommerce platforms.

Royal Mail Group launched a shopfront on Tmall Global in 2015 to help British retailers and exporters expand into the China market through providing one-stop-shop logistics, customs clearing, marketing and localisation, payments and customer support services.

In 2016, 14% of all China's retail sales were conducted online – the largest retail ecommerce penetration rate in the world, eclipsing the entire economy of many established countries.

According to consultancy Export Now's chief executive Frank Lavin, the two powerful trends in retail are the growth of China and the growth of ecommerce. "Every global retailer needs a China strategy," he says. The potential sales driven by Singles' Day underscore a need for a very specific Singles' Day strategy.

27%

International brands sales on Singles' Day

For retailers considering to participate in China's online retail market, there are a number of available options. One may consider setting up a website in China, which would require a legal entity to be established in China and appropriate licences to be obtained (including an ICP

licence). Investments in management, logistics and customer service systems would need to be made.

A less costly option would be to operate through third party platforms such as Tmall or JD.com. In this option, it is essential that retailers review carefully their contracts with the chosen ecommerce platform as well as third party service providers who offer platform integration, logistics, customs clearing, localised marketing and customer support services.

Alternatively, retailers may consider selling from an existing website outside of China, which would be the path of least resistance in relation to costs and regulatory

compliance. However, this approach may put them in a less competitive position as shipping from offshore would mean a longer delivery time at higher cost. Chinese platforms pride themselves in offering same-day or near same-day deliveries for ordered items, often at no cost, which is much more demanding than in other markets.

Other implications of Chinese law must further be considered. For example, there are certain specific requirements for product labelling and returns, and provisions for product liability. Customs duties and restrictions specific to products sold through ecommerce channels also need to be handled.



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