

EASTERN PROMISE

Will Singles' Day 2020 prove to be a beacon of hope for global retailers and brands?



With COVID-19 casting a shadow over the world throughout 2020, the retail world will cast its collective gaze to China this Singles' Day (or Double 11), looking for signs of economic recovery from this online shopping extravaganza.

As countries around the world still wrestle with the direct and indirect effects of the pandemic, and with second or even third waves threatening further lockdowns, Singles' Day could provide a much-needed boost for local Chinese brands and their foreign counterparts who are feeling the effects from their domestic markets still being in recovery mode.

China was the first to face the pandemic in late 2019, and subsequently the first to emerge from lockdown, with bricks and mortar retail activity now close to pre-COVID levels. Therefore, AlixPartners' third annual Singles' Day survey results provide an important indicator to retailers in China and around the globe who are either on the road to recovery, enduring a second wave, or still in the midst of the pandemic, as to what the year ahead may hold for them.

This year will arguably be the most competitive Singles' Day so far, with powerful livestreaming platforms and Pinduoduo (PDD) expected to host a record number of shoppers hungry for up-to-the-minute offer updates and new product information.

To seek growth, these platforms continue to invest and open up the country's interior, including smaller cities, tiers 3 to 5, and rural counties, while Alibaba has sought to attract more foreign brands into the mix through its recent 11.11 Go Global Pitch Fest.

The survey results are an additional indicator of rising patriotism levels in China. Partly accelerated by COVID-19, as well as the continuing trade war with the US, local domestic brands are once again gaining popularity in China, particularly among men, consumers born after 1960, those in lower income households, and specifically those living in tier 2 cities.

While China appears to be fully out of the COVID-19 storm, fear of a winter second wave still plays on the minds of

Chinese consumers, shown by their likely overall shift in spending and product choices.

But with record consumer numbers expected to engage with the event, Singles' Day 2020 is nonetheless likely to act as an important barometer for ravaged economies across the world, desperate for signs of and opportunities for recovery in times of continued uncertainty.

HOW HAS OUR SURVEY CHANGED THIS YEAR?

- Due to the overwhelming global impact of COVID-19 in 2020, we have polled respondents about consumer behaviors that directly relate to the virus, in order to understand how the pandemic has impacted their individual priorities and economic outlook
- We have also added further questions focused on growing trends, such as the impact of livestreaming, the resurgence of local brands and the integration of offline and online channels across diverse consumer demographics
- Additional product categories in the survey – from fresh food to medical and healthcare – also reflect new or growing consumer priorities post-COVID, aligned to consumer concerns around a second wave in the winter
- Finally, the survey base has also expanded to cover a greater percentage of respondents from lower tier cities, as well as the 15-20-year-old age group.

1. Participation will increase – again

Even in its 12th year, and with China's retail calendar packed with scores of other monthly sales events, participation in this year's Singles' Day is expected to be even higher than 2019.

Expressed interest to participate in this year's Singles' Day is up to 96% from 92.4% last year, despite this year's survey representing a greater proportion of respondents from lower tier cities where e-commerce penetration is lower. Spending is likely to rise, too, as 39% of consumers indicated they are likely to spend more than they did in 2019, more than double the 15% who said they are planning to spend less than last year.

The primary reason for participating in the event is getting a good deal or saving money (45%), while 40% are looking for specific product deals. For the minority who do not participate, their reasons for avoiding this e-commerce

marathon remain the same as last year - delivery taking too long and not wanting to stay up until midnight to secure the best discounts on limited stocks - while the third most popular reason highlights concern around over-consumption.

In terms of platforms, Taobao, Tmall and JD still dominate, but Taobao and JD look set to lose some marginal consumer share on last year. Of the other contenders, only PDD (+2%), Douyin (+3%), and RED (+1%) are expected to gain customers this year, while all other platforms remain flat or likely to suffer declines.

WHAT THIS MEANS FOR RETAILERS AND BRANDS

The increase in price-only-focused bargain hunters reflects a global retail trend for 2020 and greater competition from platforms will only raise the likely cost per acquisition for brands. Retailers should expect consumers to focus on bargain products and therefore factor in a potential thinning of margins across the brands they serve.

BY THE NUMBERS

Participation is up from

92%

in 2019

TO

96%

expected this year

39%

of consumers are planning to spend more in 2020 than they did in 2019

22%

say they will spend RMB 5000 or more - down from 57% in 2019

81%

of consumers say they will make Singles' Day purchases via livestreaming

48%

say product quality is the most important factor when selecting brands to buy

THE MAIN REASONS FOR TAKING PART ARE:



THE MAIN REASONS FOR NOT TAKING PART ARE:



2. COVID-19 – a year on, what is the impact?

Although China was the first nation to recover from COVID-19 crisis, there remain effects of the pandemic across most demographics. Despite nearly 80% of respondents indicating that COVID-19 will have minor to no impact on their purchasing decisions this year, of the 15% that plans to spend less in 2020, an overwhelming 69% say this is due to the impact of COVID-19.

While the top three reasons for participating in Singles' Day are understandably based around discounts and products, 35% of respondents say their decision to participate this year has been driven by a shift in their shopping behavior to online during the pandemic.

When asked specifically how COVID-19 will change their plans compared to 2019, a quarter said they would not change their plans at all, but one third responded that they would be stocking up on medical supplies, masks and food. Additionally, only 7% – the fewest number of respondents – claim to 'no longer worry about COVID-19', showing that Chinese consumers are very aware of the risk of a winter resurgence of the virus. 31% of respondents also said they will be shopping online more and visiting offline retail less due to the virus.

There are interesting COVID-19 distinctions between demographics. The two lowest income groups (less than RMB 96,000) and the highest income group (more than RMB 720,000) highlighted 'COVID-19 has changed my shopping behavior from offline to online shopping' as the second and third most important reason respectively for participating in this year's event. However, this is not an important factor across the demographic groups. Similarly,

the two youngest age groups (those born after 1990) say they will be stockpiling more necessities, purchasing online more and that they are comparatively more concerned about COVID-19 than the other age bands. Consumers are also more sensitive to product quality, authenticity and trustworthiness and brand reputation.

Due to greater acceptance of remote working, the home has emerged as a focal point for consumer spending, with COVID-19 the likely factor that has pushed 'home care' products to the fourth most popular category behind apparel, shoes and footwear, and cosmetics and beauty, displacing last year's lifestyle electronics. Apparel has also significantly dropped since last year's survey from 45% to 39%, possibly due to the change in consumer spending in a larger variety of items, including those preventing the resurgence of the COVID-19 virus.

WHAT THIS MEANS FOR RETAILERS AND BRANDS

COVID-19 has certainly affected the prioritization of spend, with expected increases in purchases of home products, and an expected drop in apparel and lifestyle electronic acquisitions. Even though 45% of consumers are participating to find a good deal, retailers and brands should dial up their marketing efforts to reinforce the growing desire for high product quality and an authentic, trustworthy brand image, over and above simply launching new products or discounts.

Brands should also be laser-focused on maximizing online operations this year, with only 7% indicating that online to offline integration (O2O) would be their main reason for participating this year. The varied spending patterns between demographic groups represents an opportunity for savvy brands to market in a more effective, targeted manner and gain share over the competition during such a high-profile event.

3. Livestreaming – a format that can no longer be ignored

Livestreaming has become an irreplaceable element of e-commerce and a core part of any successful online sale event. Alibaba recently opened their Malaysia Week sale with a livestream event that drew 1.7 million viewers, while the opening gala of 11.11 will also be livestreamed.

According to our survey results, two thirds of Chinese consumers say they have purchased an item via livestreaming in the last 12 months. This figure rises to as high as 85% for the youngest age group (aged between 15 and 20), compared to 55% for those aged 51 to 60.

Participation in livestreaming shopping for this year’s Singles’ Day will be high – only 19% of consumers don’t plan to shop via livestreaming. However, this non-participation is up slightly from 16% last year, showing that the relative immaturity of the channel and negative news around fake traffic and sales from livestreaming could be holding back accelerated growth.

Younger consumers and those living in Tier 3 to 5 cities particularly embrace the livestreaming format, particularly among the post-00 generation where 93% expect to buy something via livestreaming. Consumers in lower tier cities are also more likely to purchase through livestreaming as compared to Tier 1 and 2 respondents (a 14% difference in responses). However, it is the highest income consumers (more than RMB 420,000) who will be spending the most through livestreaming, with 30% intending to buy between a quarter and all their

purchases in this way. Meanwhile, of the lowest income bracket (less than RMB 48,000), 43% will only buy between 1% and 14% of their purchases via livestreaming.

But Chinese consumers are still pragmatic and 38% say the main reason they will be shopping via livestreaming is due to price – consumers are there for the great discounts over the entertainment value. However, obtaining live/instant information on a product through live interaction comes a close second (37%), and many know exactly what they’re looking for, with 36% out to buy a specific item.

WHAT THIS MEANS FOR RETAILERS AND BRANDS

Livestreaming e-commerce has become the norm for some segments and now customers expect it, even though they may not always buy from the livestreaming show. According to our data, the classic profile of livestreaming target audience is a young, female, lower tier city dweller, so brands that particularly target this demographic would do well to redouble their efforts in this area of e-commerce.

The broader message is that if you are not already livestreaming, you should be, to avoid missing out on key online sales this year. From Key Opinion Leaders to senior staff – it should be all hands on deck to make it a success. Retailers and brands must ensure they are accurately targeting the right demographics – knowing your audience at a granular level is key – and making sure your livestreaming efforts are executed with all the elements that digital-savvy consumers expect. Striking the right balance between attractive discounts, interactive entertainment value and clarity of product information will be crucial to success, not forgetting the need for a clear advertising strategy in the run-up to the event.

THE TOP THREE REASONS ALL CONSUMERS PARTICIPATE IN LIVESTREAMING THIS YEAR:



38% Great discounts



37% Live/instant information on products



36% Looking to buy a particular item

CHINESE CONSUMERS WHO HAVE BOUGHT VIA LIVESTREAMING IN THE LAST 12 MONTHS:

CONSUMERS AGED 15-20

85%



CITIZENS OF TIER 3/4 CITIES

74%



ALL CONSUMERS

67%



CITIZENS OF TIER 1 CITIES

61%



CITIZENS OF TIER 2 CITIES

60%



CONSUMERS AGED 51-60

55%





4. Online rules, but offline still has an important part to play

As outlined above, consumer behavior has adjusted significantly this year due to the impact of COVID-19 lockdowns, with more consumers than ever comfortable buying a myriad of products online and 35% of respondents indicating a switch from offline to online.

Results show that online to offline integration (O2O) will likely take a back seat in this year's 11.11 compared to 2019, as Chinese consumers still prefer the safety of their homes, despite not experiencing the same high levels of social restriction faced by many other countries over the past six months.

In 2019, the third most important criteria for consumers choosing who to buy from was O2O integration, with half of all respondents citing it as a key point of differentiation. This year, it occupies 14th position, with only 7% of consumers giving it much credence.

However, whilst it may not seem a top priority, consumers do still expect to visit offline stores for discounts this Singles' Day. Besides major e-commerce platforms, 60% of consumers also expect to visit bricks and mortar stores for bargains this year – particularly consumers aged 40 and above – and 40% will gather discount coupons online to use in stores later in the year.

The younger generation appear less dependent on the

major e-commerce platforms – 70% of the 15-20 age group expressed plans to buy directly from brands' websites or their WeChat sites, mirroring the trend seen in livestreaming to younger audiences.

WHAT THIS MEANS FOR RETAILERS AND BRANDS

Online is king this year, as a swathe of new (older) consumers has had much practice in honing their online shopping habits during lockdown, and consequently many brands have built a stronger online reputation where their digital delivery meets expectations. Therefore, retailers must focus their attention first and foremost on their e-commerce channels, ensuring they can differentiate themselves in such a loud and crowded digital marketplace.

Product quality, trustworthiness and reputation have become the biggest consumer sticking points when choosing who to buy from (even ahead of discounts), so retailers and brands must work out how to present these qualities effectively in an online environment.

That's not to say that bricks and mortar participation in Singles' Day won't be a traffic driver, as consumers aged 40 and above in particular are still keen to engage in the more traditional bargain hunt.

Additionally, the proliferation of platforms and touchpoints is providing brands a unique opportunity to take back the customer initiative and explore ways to discover customers' evolving needs.



due to restrictions has made them more likely to purchase from cross-border platforms online this year.

WHAT THIS MEANS FOR RETAILERS

The message is clear for Singles' Day 2020: if you are a local brand, stand tall, be proud of the Made in China badge and leverage it. Foreign brands can also use this opportunity to their advantage by marketing any products that are designed by China for China, and made in China.

Although intended cross-border spend may appear low, cross-border e-commerce is still the fastest and easiest way for foreign brands to enter China, especially as travel restrictions have limited consumers' ability to buy abroad. Some platforms will be putting an added emphasis on the benefits of cross-border e-commerce due to travel restrictions, so retailers should expect traffic to be diverted here.

5. Local brands on the rise as cross-border sales take a hit

For 2020 Singles' Day, Chinese consumers expect two-thirds of their purchases to be with local brands compared to 61% last year. Meanwhile, the share of foreign brand purchases has dropped from 30% to 28%.

That said, the share of consumers likely to buy fewer American goods has fallen compared to last year. 57% of those polled indicated they will buy fewer American products this year compared to last year, while in 2019, the estimation was much higher at 78%. When compared along income groups, the lower income groups show a consistent (and smaller) gap of 8% while the highest two income groups show significant decrease in negative sentiment of 34% and 41%. European products fare better with only 39% indicating they are likely to buy fewer European products. Nonetheless, the reasoning behind buying fewer American products is overwhelmingly patriotism, up 11 percentage points from 2019 to 62%.

Demographically, the youngest and oldest groups surveyed showed the most national loyalty, while the intent to purchase fewer American products is clearly correlated to income and city tiers, as those with lower incomes and living in city tiers 3 to 5 are most likely to buy fewer US products.

While 82% of consumers expect to purchase items via cross-border e-commerce, only 17% plan to spend RMB 3000 or more on cross-border products.

The reasons given for buying cross-border products remain similar to last year, proving that consumers still buy outside China for quality, trustworthiness and better product design. But COVID-19, again, plays its part, with 30% of consumers saying that not being able to travel overseas

A GOLDEN OPPORTUNITY FOR GLOBAL LUXURY

The purchase of luxury products online this year during Singles' Day could provide a welcome additional boost to this retail subset.

The primary reason consumers gave for planning to make these purchases during 11.11 is the convenience factor – 36% say they can compare prices more easily online, while over one third say they enjoy the comfort of shopping from home.

Meanwhile, COVID-19 has certainly played its part in pushing the luxury sector firmly into the digital space, with 29% saying they are avoiding overseas travel, where they would normally purchase luxury products.

Correspondingly, this year's survey showed that China topped the list of countries to buy luxury products from, with a 13% lead over Japan, the second choice. This doubly confirms that Chinese consumers expect to travel less and buy luxury products locally online.

With global sales of luxury products taking a hit following recessions and a general consumer reticence for over-ostentatious activity in a time of national crisis, this could present an opportunity for global luxury brands to recoup some of their losses, but only if online service levels are of the highest standard.

57%

More than half of consumers plan to buy **fewer American** products compared to last year

MANY CHINESE CONSUMERS WILL BUY FEWER AMERICAN PRODUCTS SPECIFICALLY:

62%

say this is **based on national loyalty** (up 11 percentage points from last year)



Conclusion: Recovery is in sight, but be prepared

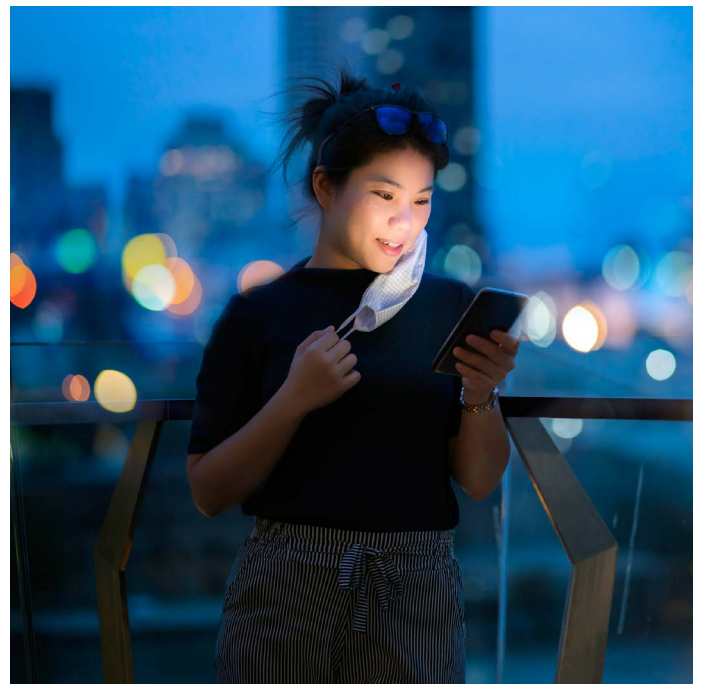
With higher numbers of participants expected this year than last, Singles' Day 2020 could be the moment many retailers the world over have been waiting for to cash in, recoup some losses and boost pre-Christmas sales.

However, despite COVID-19 further in the rear-view mirror for Chinese consumers than most other nations, the ripple effects from the pandemic have changed consumer behaviors more than enough to prompt retailers to consider their participation strategy very carefully.

There are significant differences across demographics – from age, to location, to income level – that highlight how retailers must get as close as possible to their target customer groups if they hope to compete. Additionally, the shift to e-commerce as 'the new normal' for many more consumers this year should open new marketing and revenue streams for the savvy retailer, as well as the ability to attract a broader customer base.

Consumers are very clear about what they want from retailers to improve their shopping experience during this year's Singles' Day: larger discounts, more accurate product

descriptions, better logistics and simpler promotions that prioritize messages around quality and authenticity. Get all these right, and Singles' Day 2020 could be a major milestone towards recovery for Chinese retailers and others around the world.



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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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