

Singles' day executive report

# LEARNINGS FROM THE LEADERS OF TOP SELLING BRANDS







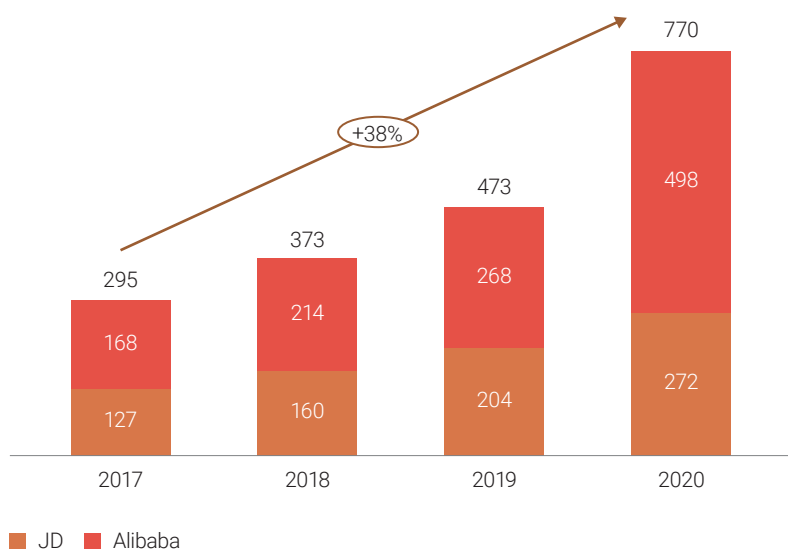
Singles' Day 2020 once again broke records and continued its dominance of global shopping festivals. Alibaba's GMV rose 86% in 2020 to hit RMB 498 billion (\$71 billion), while JD contributed RMB 272 billion (\$39 billion), growing by 33%, to the event's tally.

On November 11<sup>th</sup>, GMV reached **RMB 332 BILLION**

Livestream commerce, which took center stage this year, accounted for

**RMB 8.8 BILLION**

**FIGURE 1: GMV VALUE FOR ALIBABA AND JD DURING SINGLES' DAY**



Beneath the dazzling numbers, achieving success has proved elusive for all but the most determined brands. As the event evolved over time, it has become increasingly complex for retailers and brands with yearly changes to rules of the game, high cost and resource constraints, dispersion of traffic, and continuing channel conflicts. As our post-survey executive interviews discovered, the leading brands take a big picture perspective of this event, tend to invest significant resources, and can adapt quickly to changes both before and during the event.

## PLAYING A GAME WHERE THE RULES KEEP CHANGING AND EACH EVENT IS DIFFERENT FROM THE LAST

Although the major platforms tweak the rules and evolve the event each year, 2020 marked the most significant changes since Alibaba launched this event 12 years ago. First, Tmall had two sales periods, one from November 1<sup>st</sup> to 3<sup>rd</sup> and the other on November 11<sup>th</sup>, compared to all previous events where it was just one day on November 11<sup>th</sup>. While this allowed consumers more time to compare and purchase more items, it also added complexity for brands trying to manage the event. Two selling periods gave brands the ability to react and adapt assortments, adjust pricing, but also carry inventory and maintain in-stock levels over a longer period.

Secondly, livestream selling (livestreaming) became the name of the game. Tmall livestreamed both the opening ceremony and 11/11 gala via multiple different rooms set on the main stage, providing a connected but differentiated shopping experience. Location-based livestreaming was also tested for the first time, and overall, the number of livestreaming sessions grew by 50% during the pre-sales period. This continued to drive a greater interest in consumers for livestreaming and supported brands with the capability.

Other changes included simpler discount methods, a focus on trendy local brands, targeting generation Zs, a push to lower tier cities, and expanding C2M offerings.

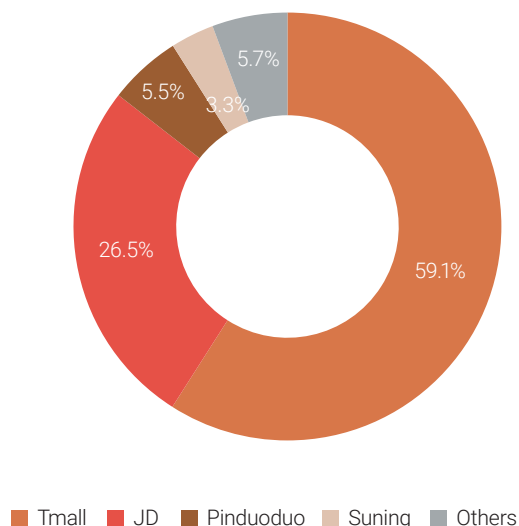
**IMPLICATION:** Staying on top of and participating in major trends is critical to ensure traffic volume. Brands should also stay true to their value and selling proposition to avoid being distracted by the changes.

## DISPERSION OF TRAFFIC AND RISING COMPETITION FOR CONSUMERS' ATTENTION

With the increasing importance of social commerce and growth of niche e-commerce APPs, consumers are now spoiled for choice. The success of Singles' Day is ironically eroding Tmall's share of this event as platforms and brands all join in. Social commerce presents a particularly unique opportunity for brands to take back the initiative and connect directly with consumers. Wechat's Mini-program has come to epitomize direct-to-consumer efforts and is a key CRM element for many brands. There are more than 400 million daily active users of Mini-programs on Wechat and over 1 billion daily commercial transactions on Wechat pay. Livestreaming is another area that is diverting traffic from traditional e-commerce pages. Non-traditional competitors such as short-video platforms (e.g. Douyin) and UGC<sup>1</sup> sites (e.g. RED) have launched e-commerce offerings attracting brands with their large and loyal user base.

**IMPLICATION:** Dispersion of traffic does not immediately reduce the dominance of Tmall and JD; instead, it pushes brands to invest in more touchpoints and additional platforms that are brand-right to reach consumers.

**FIGURE 2: MARKET SHARE OF PLATFORMS ON SINGLES' DAY**



Source: Syntun ([www.syntun.com.cn](http://www.syntun.com.cn))

1. UGC: user-generated content

## EVER RISING COST AND RESOURCE REQUIREMENTS

The sheer size and scale of Singles' Day, and the demands put on brands by the platforms over a short selling period, has turned this sales event into a test of resource management for the participating companies. In addition, as platforms mature and traffic growth slows, competition and dispersion of traffic has raised the cost of customer acquisition and e-commerce operations. Leading brands, however, are treating this as an annual readiness and capability assessment. This was the view from one of China's leading beauty and personal care company who told us that it's like going to war; it takes the entire company's resources to plan and execute this event smoothly – product, marketing, and operations need to work hand-in-hand to ensure maximum impact. Firms also need to build up their capability and relying entirely on TP<sup>2</sup>s to run the show will not work. An example cited by the General Manager for a footwear brand is that having a one's own, nimble e-commerce core team can help quickly react to and adjust for sell-outs during the event.

**IMPLICATIONS:** Build up your core team and plan/train for this event with the full support of your whole company in the context of the entire year's operations.



## CHANNEL CONFLICT REMAINS AN ISSUE DESPITE O2O TREND

Sales disruption to traditional brick and mortar channel during Singles' Day is a key problem for many brands despite Alibaba's push in O2O. The maturing e-commerce sector and move away from discount/clearance to carrying in-season products, coupled with Singles' Day continued push for brands to offer the latest products and use the event for product launches, is draining store traffic as early as 3 to 4 weeks before Singles' Day.

The challenge is how to conduct merchandise planning with a holistic view of the firm. This is sometimes difficult as many brands are still organized in a silos with the e-commerce team and stores as a separate units. This structure, and the lack of mitigating solutions such as shared sales targets, is causing lost opportunities for brands to jointly drive O2O sales across their channels.

Integrating Singles' Day with the store network can improve customer experience and help boost online sales. By leveraging the store network, brands can add a physical touchpoint to the online experience. For example, store associates can help to direct customers to the online store (or help complete the transaction) via QR code to find products that are not available in store.

At the same time brands also need to be aware of and balance profitability between the channels. While the answer may not be to shift consumers from one channel to the other, it reinforces the need to connect the dots in operations to achieve scale and drive profitability.

**IMPLICATIONS:** Merchandise planning with a view of all channels is critical as potential conflicts and loss of sales can be prevented, while tighter integration of business units and/or processes can help ride the O2O wave to boost sales.

2. TP: Originally "Tmall Partner", but is now taken to mean any 3rd-party e-commerce operator that works with any e-commerce platform

# MEASURING SUCCESS AND DELAYED CONVERSION

With the dominance of Singles' Day on the sales calendar, the impact of a brand's activity is often felt long after the event.

This raises the problem of how to judge success. For example, brands, especially those focused on summer products, could be attracting new followers from their campaign who transact only days or months after. This delayed conversion needs to be considered by brands as they plan metrics for Singles' Day and also for the whole year. In fact, brands can consciously target specific groups of followers to encourage first or repeat purchases based on their click history. As brands take an increasingly whole-year view of this event and roll out larger, more sophisticated campaigns, plan for success measures that takes into consideration impact to branding and sales for the year.

More importantly, brands need to be clear on what they hope to achieve on Singles' Day. Is it to raise brand awareness, to chase sales, to clear out aged inventory, to attract a different consumer group, or just to train the e-commerce team? Each objective comes with slightly different success metrics.

**IMPLICATIONS:** Be clear on the overall objective or participating in Singles' Day and understand how Singles' Day activities impact brand over course of the year. Design the right success metrics, measure impact during and after the event.

## OUR RECOMMENDATIONS



**DESPITE THE CHALLENGES, WE BELIEVE THAT BRANDS MUST PARTICIPATE IN SINGLES' DAY AS BENEFITS** – brand relevancy in the minds of consumers, internal capability building, and sales boost, from this national-scale event outweigh costs. However, planning needs to start 7 to 8 months in advance. Define one to two objectives for participating in this event then look at assortment options, special promotion products for Singles' Day, possible new product launches, initial demand forecasting, and pricing options. Start formulating your marketing campaign and test products/concepts early in the year to understand what works. Continuously test new platforms and explore partnerships to expand your reach.



**TAKE A LONGER-TERM VIEW OF THIS EVENT AND ORGANIZE YOUR RESOURCES AS SUCH.** Treat it as a rare opportunity to test your entire firm's capability; and if you are doing it well, expect the impact to last beyond a simple sales boost in November. Ensure your strategy is closely tied to the right metrics to understand any overflow impact so that you can justify resources put into this event. Leverage data from Singles' Day to provide more insight into customers and plan campaigns for the year.



**EXPAND BEYOND THE TRADITIONAL E-COMMERCE PLATFORMS TO INCLUDE YOUR BRICK AND MORTAR STORES AND SOCIAL COMMERCE.** Integrate merchandise planning, align KPIs, and encourage resource sharing across all your channels to maximize on the surge of consumer interest during this period and leverage scale. Figure out how to make livestreaming work for your brand and your products. Determine if you will build internal capabilities or leverage third parties.

While considerable effort is required to succeed in this event, those who do well are rewarded by double or even triple digit growth. In the long run, this can translate to significant advantage and market share for brands in China.

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