2016 SINGLES’ DAY PREVIEW:

AIMING HIGH AS ALIBABA PAIRS SHOPPING WITH ENTERTAINMENT & SOCIAL MEDIA

1) We estimate Alibaba’s sales for the 2016 Singles’ Day will increase 40% year over year to reach US$20 billion.

2) The gamification of shopping, omni-channel solutions and globalization are expected to be the key highlights for this year’s Singles’ Day sales, according to the media. We await official announcements from Alibaba on this year’s Singles’ Day marketing strategy.

3) Other e-commerce platforms in China have plans to compete against Alibaba through promotions, improved fulfilment capabilities and collaboration with industry partners.
INTRODUCING SINGLES’ DAY: CHINA’S LARGEST ONLINE SHOPPING DAY

Singles’ Day (November 11) is the most influential annual online shopping day in China, and branded by Alibaba as the Global Shopping Festival. It is considered a chance to boost sales after China’s Golden Week holiday in October.

Figure 1. Online Sales for Singles’ Day, Cyber Monday and Black Friday, 2011-16E

Source: Statista/ComScore/Fung Global Retail & Technology

HISTORY OF SINGLES’ DAY

Singles’ Day (November 11) was first started among students at Nanjing University in the 1990s as a day for men to celebrate their bachelorhood or “singleness”. The date was chosen because the number “1” resembles an individual that is alone. Alibaba rebranded it as a day for singles to treat themselves well by buying the things they desire, and marketed its first online sales in 2009 with special “Double 11” deals to attract customers. Subsequently, Alibaba even trademarked several terms related to Singles’ Day in 2012. The online sales extravaganza caught on with other e-commerce players in China, with JD launching its first Singles’ Day sales in 2010.

OUR PROJECTION FOR SINGLES’ DAY 2016

At Fung Global Retail & Technology, we expect Singles’ Day 2016 sales to reach US$20 billion, which represents a 40% year-over-year increase. We expect sales made on mobile devices to increase sequentially on this year’s Singles’ Day, from 71% in 2015 and 43% in 2014.

Our growth expectation is driven by the following factors:

- Extensive promotional campaigns and marketing activities
- Increasing global reach
- Increasing consumption by a growing middle class in China
• Improved fulfilment capabilities through Alibaba’s suite of solutions: Alibaba has increased the efficiency of its payments, supply chain, omni-channel, online payment and logistics infrastructure ahead of this year’s Singles’ Day

HIGHLIGHTS TO LOOK OUT FOR ON SINGLES’ DAY 2016

Singles’ Day has evolved from a one-day occasion for Chinese customers to shop for deals to a worldwide shopping festival. We outline the following plans Alibaba has for Singles’ Day 2016 in order to meet its sales objectives, as reported in the media. Official announcements for Alibaba’s marketing strategy are scheduled for October 20.

1) The Gamification of Shopping

One of Alibaba’s strategies for Singles’ Day is to merge gamification with online shopping. The company will leverage its media and entertainment assets to drive increased online consumption.

2016 Alibaba Singles Day Countdown Gala will be held on the eve of Singles’ Day. The countdown to the event will be held in Shenzhen and will be broadcast live by Zhejiang Satellite TV, its official media partner, and Alibaba’s media assets, including Youku Tudou, Tmall TV Box and UC Web. Alibaba has hired US television producer David Hill, the producer of the Super Bowl, the Oscar’s ceremony and American Idol, according to Barron’s.

2016 Tmall Singles Day Global Fashion Show features the latest fashion trends and will be broadcast on multiple channels before Singles’ Day. Approximately 50 of the 80 brands featured in the eight-hour fashion show are expected to be global brand, and the production team of the fashion show was selected from several countries. Viewers will be able to order any clothing shown during the fashion show on Tmall in real time. International brands that will participate in the show include Burberry, Maserati, Guerlain and Rimowa.

Figure 2. Tmall’s promotional activities between 21 Oct and 11 Nov

 Campaign/Pre-sale period (21-31 Oct)

• Tmall and brands will partner with KOL (key opinion leader), media and celebrities to increase interaction with shoppers.

 Warm-up period (1-10 Nov)

• Emphasis will be placed on increasing exposure of best-selling products.
• Shoppers are encouraged to add merchandise to shopping carts for purchase on Singles’ Day, so brands can prepare for appropriate inventory levels.

 Singles’ Day (11 Nov)

• Tmall will broadcast live sessions with CEOs of different brands who will promote their products and interact with shoppers.

Source: Company data
2. Multiscreen interactive experience

Alibaba will promote products on TV screens that will allow viewers to scan QR codes and purchase the items on-screen. This will allow customers to enjoy an interactive multi-screen experience over mobile, online and on TV, and to watch, play and purchase in real time.

![Figure 3. Alibaba commerce and media assets](image)

Source: Company data

3. Omni-channel

Alibaba will integrate the online and offline channels, and increase the efficacy of its payments and logistics infrastructure, which is intended to stimulate consumption demand.

Alibaba’s corporate goal is for its ecosystem and infrastructure to support both Chinese and global companies. The five key infrastructure in place to help local customers and SMEs expand abroad are marketplace, payments, logistics, cloud computing and big data.

Cainiao Network, Alibaba’s logistics arm, expects enhanced express service levels this year, with the support of big data and increased capital deployment.

4. Globalization

Overseas ordering activity was one of the primary reasons driving sales to outperform on last year’s Singles Day, and Alibaba expects the growth momentum to be sustained this year.

Participation of global brands in the sales event will likely increase, as Tmall has expanded its source of procurement from domestic to overseas suppliers. International brands such as Aveeno, Corine de Farme, Guerlain, utena and Nutrilon made their debut on Tmall Global in September 2016. Moreover, Tmall Global, through its partnership with Target, has introduced...
brands including California Baby, Lansinoh, Munchkin, Up&Up, Archer Farms, Ameda and Starbucks.

Jack Ma, the Chairman of Alibaba, reiterated in a letter to shareholders in October 2016, that globalization is one of the key tenets of the group’s long-term corporate strategy.

Figure 4. Tmall advertisement for Singles’ Day

Source: Company data

RESPONSE FROM OTHER E-COMMERCE PLAYERS

JD.com announced that it will set aside RMB500 million for logistics subsidies to facilitate efficient delivery of its merchandise for Singles’ Day. JD has yet to announce whether it will continue broadcasting its Singles’ Day Gala show this year.

Suning, 20% owned by Alibaba, announced its cooperation with ZJS Express, a domestic courier company for Singles’ Day delivery. Suning is set to announce its Singles’ Day marketing strategy on October 18.

NetEase, through its cross-border ecommerce platform Kaola.com, has announced partnerships with international brands such as UGG and Bellamy’s Organic (both from Australia). Kaola.com also signed a cooperation agreement with SaSa, which enriched its product portfolio with international cosmetics brands such as Lancome, SK-II, Sisley, Dior, Gucci, Chanel and Shiseido.

Yihaodian, an online supermarket that JD acquired from Walmart in June 2016, has challenged Alibaba’s Tmall supermarket to a price war in the run-up to Singles’ Day. Yihaodian announced that it will invest RMB1 billion to offer lower prices to shoppers on its platform than on Tmall supermarket, in response to Alibaba’s announcement in July of discounts offered on Tmall supermarket.
ALIBABA: A REVIEW OF SINGLES’ DAY 2015

Last year, we published a series of reports covering Singles’ Day. We provide a summary of the key topics we discussed in the reports: Singles Day Flash Report, Singles Day Flash Report 2 and Singles Day WRAPUP.

In 2015, gross merchandise volume (GMV) for Alibaba’s Singles’ Day reached RMB91.2 billion (US$14.3 billion), representing a year-over-year increase of 54%, and comprised 2.9% of Alibaba’s total sales for FY16 ended March 2016. The strong growth in GMV was achieved primarily by the sales boost from overseas products and an omni-channel strategy.

<table>
<thead>
<tr>
<th>Singles’ Day 2015</th>
<th>Alibaba’s Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>US$14.3 billion (RMB91.12 billion)</td>
</tr>
<tr>
<td><strong>Orders</strong></td>
<td>Cainiao Logistics, Alibaba’s affiliated logistics partner, received 467 million delivery orders during the 24-hour shopping period, more than 15 times the daily average of 30 million orders, a 68% increase compared to last year’s Singles’ Day.</td>
</tr>
<tr>
<td><strong>Mobile Sales</strong></td>
<td>Total mobile GMV settled through Alipay is approximately US$9.8 billion (RMB62.6 billion), exceeding total GMV in 2014, and accounted for 68.7% of total GMV. Total mobile GMV increased by 158% compared to 2014.</td>
</tr>
<tr>
<td><strong>Foreign Retailers</strong></td>
<td>More than 16,000 international brands completed transactions on 11.11. 33% of total buyers purchased from international brands or merchants. Buyers and sellers came from 232 countries and regions.</td>
</tr>
</tbody>
</table>

Source: Company data
A GLOBAL PERSPECTIVE ON 2015 SINGLES’ DAY


- For every 12 Chinese people, there is one buying from Tmall on Singles’ Day.
- For every 10 people outside of China, there is one person browsing on the AliExpress website.

Tmall Global – International Retailers Selling to Chinese Consumers

On Tmall Global, an online marketplace for imported products, there was a country-specific section that included products from countries such as the US, the UK and Japan. The products, with a heavy emphasis on beauty, health and personal care, were listed on a separate country page. International retailers such as Macy’s, Costco and Sainsbury’s were promoted on the Tmall Global site.

According to official statistics, over 5,000 international brands from 25 countries participated in the Singles’ Day sale on Tmall Global in 2015, and over 30 million Chinese consumers bought imported products.

- The most popular categories of imports included maternity and childcare (30% of sales) and cosmetics (22% of sales).
- The most popular import countries for Chinese online shoppers include the US, Japan, Korea, Germany and Australia.
- Costco was the No.1 retailer of imported products on Tmall Global in 2015 by value, with sales reaching 50 million units. Costco first entered the China market through Tmall Global in 2014.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Rank</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>1</td>
<td>Maternity and baby care</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>2</td>
<td>Cosmetics and skin care</td>
</tr>
<tr>
<td>3</td>
<td>Korea</td>
<td>3</td>
<td>Healthcare</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>4</td>
<td>Food</td>
</tr>
<tr>
<td>5</td>
<td>Australia</td>
<td>5</td>
<td>Personal care</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>6</td>
<td>Apparel and fashion</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
<td>7</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td>8</td>
<td>New Zealand</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Italy</td>
<td></td>
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</tbody>
</table>

Source: AliResearch

Costco was an international retailer that successfully leveraged Tmall’s Global platform for Singles’ Day sales.
**AliExpress: Chinese Retailers Selling To Overseas Consumers**

AliExpress, Alibaba’s international platform for overseas shoppers, allows shoppers from around the world to join the Singles’ Day shopping event. AliExpress was launched in 2010 to help market and sell Chinese products overseas. On AliExpress, pre-dominantly Chinese products were showcased, including tablets from Xiaomi and sportswear from Li-Ning.

The site allows shoppers to buy products directly from China, and offers discounts on the sale day. AliExpress handled 21.24 million orders from overseas buyers sold by 62,800 Chinese retailers for Singles’ Day in 2015.

**Figure 8. Singles’ Day 2015 – the Top Countries and Products Exported Out Of China by Sales Value**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Russia</td>
<td>Household appliances</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>Office equipment</td>
</tr>
<tr>
<td>3</td>
<td>US</td>
<td>Digital electronics</td>
</tr>
<tr>
<td>4</td>
<td>Israel</td>
<td>Auto parts</td>
</tr>
<tr>
<td>5</td>
<td>Ukraine</td>
<td>Apparel</td>
</tr>
<tr>
<td>6</td>
<td>Belarus</td>
<td>Cosmetics</td>
</tr>
<tr>
<td>7</td>
<td>France</td>
<td>Jewelry and watches</td>
</tr>
<tr>
<td>8</td>
<td>Chile</td>
<td>Baby, Kids &amp; Maternity</td>
</tr>
<tr>
<td>9</td>
<td>UK</td>
<td>Sports and hobbies</td>
</tr>
<tr>
<td>10</td>
<td>Canada</td>
<td>Telecommunications</td>
</tr>
</tbody>
</table>

*Source: AliResearch*

**Figure 9. Singles’ Day 2015 – Bestselling brands by Product Category**

<table>
<thead>
<tr>
<th>No. 1</th>
<th>Women’s Apparel</th>
<th>Men’s Apparel</th>
<th>Cosmetics</th>
<th>Baby, Kids &amp; Maternity</th>
<th>Sports and Hobbies</th>
<th>Shoes</th>
<th>Mobile Phones</th>
<th>Major Household Appliances</th>
<th>Small Household Appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Uniqlo</td>
<td>Uniqlo</td>
<td>Pechoin</td>
<td>Balabala</td>
<td>Nike</td>
<td>Camel</td>
<td>Huawei</td>
<td>Haier</td>
<td>Midea</td>
</tr>
<tr>
<td>No. 2</td>
<td>Inman</td>
<td>Jack Jones</td>
<td>KanS</td>
<td>Huggies</td>
<td>Adidas</td>
<td>Red Dragonfly</td>
<td>Apple</td>
<td>Midea</td>
<td>Philips</td>
</tr>
<tr>
<td>No. 3</td>
<td>Eifini</td>
<td>Peacebird</td>
<td>Chando</td>
<td>Yashili</td>
<td>New Balance</td>
<td>AoKang</td>
<td>Xiaomi</td>
<td>Leshi</td>
<td>Ecovacs</td>
</tr>
<tr>
<td>No. 4</td>
<td>Elfsack</td>
<td>Mark Fairwhale</td>
<td>Lancome</td>
<td>Goodbaby</td>
<td>LiNing</td>
<td>Skechers</td>
<td>Meizu</td>
<td>Siemens</td>
<td>Joyoung</td>
</tr>
<tr>
<td>No. 5</td>
<td>Peacebird</td>
<td>Semir</td>
<td>L’Oreal</td>
<td>PurCotton</td>
<td>Toread</td>
<td>Playboy</td>
<td>Qiku</td>
<td>Hisense</td>
<td>Supor</td>
</tr>
</tbody>
</table>

*Source: AliResearch. Note: International brands in bold*
Responses from Select Domestic E-Commerce Competitors in 2015

Other e-commerce platforms in China actively competed with Alibaba on Singles’ Day in 2015 through promotions and collaboration with industry partners.

JD, Alibaba’s closest competitor, formed a strategic alliance with Tencent which enabled WeChat users to shop directly on JD.com via the app’s shopping channel. JD.com saw a total of 30 million orders on the single day of November 11, which represented a 114% year-over-year uptick, breaking its 2014 record of 14 million orders in only 12 hours.

Gome kicked off its big sale of up to 70% off on items ranging from home appliances to car care products on October 23.

Suning, partly owned by Alibaba, launched a One Dollar Sale campaign to attract customers. On the day, Chinese online shoppers ordered 37,000 health products from the US within 11 hours of the start of Singles Day, 220,000 Xiaomi smartphones and around 380,000 mobile power chargers within the first 18 hours.

WHAT WAS DONE OUTSIDE OF CHINA FOR SINGLES’ DAY 2015

International retailers launching their own Singles’ Day campaign remained in the minority. The few international online retailers such as Newegg who launched their own campaigns offered discounts on their products. According to paid search statistics by AdGooroo, a search marketing intelligence company, the total spend by US retailers on Singles’ Day advertising keywords was “insignificant”.

• Newegg, an online retailer, selected 150 deals for the 24-hour Singles’ Day celebration, offering 11% off orders for those using Visa Checkout.
• OTTE New York, a women’s luxury boutique, offered 20% off during November 9 to 15, 2015.
• Nasty Gal, an online fashion retailer, offered discounts for US consumers, according to Internet Retail.
Conclusion

We estimate Alibaba’s Singles’ Day sales in 2016 will increase 40% year over year to reach US$20 billion. Our growth expectation is primarily driven by extensive promotional campaigns and marketing activities, increasing global reach and improved fulfilment capabilities by Alibaba’s suite of infrastructure solutions. The gamification of shopping, omni-channel solutions and globalization are expected to be the key highlights for this year’s Singles’ Day sales, as reported by the media. We await official announcements from Alibaba on this year’s Singles’ Day marketing strategy.
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