

Midyear 618 Shopping Bonanza Raises Hope for China's Retail Sector

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Among holiday shopping events in China, many outside the country have probably only heard of Singles' Day. However, 618—which ecommerce giant JD.com launched to commemorate the company's founding day—is gaining popularity. And given the global interest in a post-pandemic retail rebound, this year's event was particularly worthy of attention.

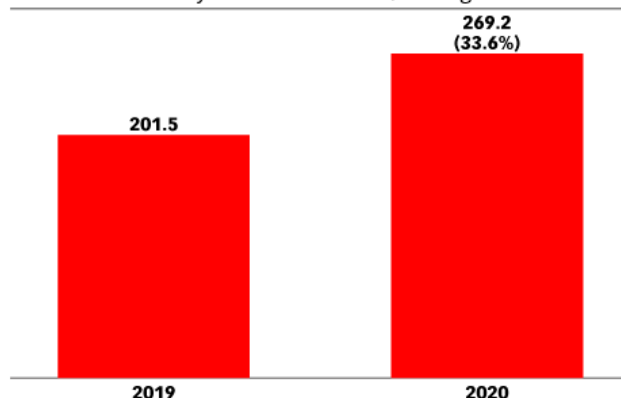
Since its 2004 inauguration, the annual 618 online shopping festival, which takes place from June 1 to June 18, has been adopted by other companies like Alibaba, Pinduoduo, Douyin (TikTok's equivalent in China) and Kuaishou, which ran their own campaigns with elements of omnichannel shopping.

Sales this year were brisk from the outset, with gross sales volumes on Alibaba's Tmall rising 50% during the first 10 hours. First-hour sales of online and offline retailer Suning grew 132% year over year, while transactions on JD.com spiked 74% during the first day.

All totaled, 618 sales reached RMB269.2 billion (\$38.96 billion) on JD.com for a year-over-year growth of 33.6%, while Alibaba reached RMB698.2 billion (\$101.06 billion) in sales (the company didn't report total sales figure last year).

JD.com 618 Digital Shopping Festival* Sales in China, 2019 & 2020

billions of Chinese yuan renminbi and % change



Note: via digital channels, including omnichannel sales via mobile;
*between June 1-18
Source: JD.com as cited in company blog; eMarketer calculations, June 19, 2020

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More brands participated in 618 this year because of the pandemic, which has accelerated the push to ecommerce. Roughly 25,000 brands, twice as many as last year, from 92 countries and regions took part in 618 on Alibaba's Tmall. According to data analytics firm Syntun, home appliances, mobile devices, as well as personal care and beauty were the best-selling product categories.

Fresh food was another top category, according to digital sales (including omnichannel sales via mobile devices) on JD.com's 7Fresh supermarket, which doubled from 2019. The online grocery category also joined the fray: Alibaba's food delivery platform Ele.me doubled its sales from last year.

Many factors can be attributed to 618's success this year. Live streaming commerce, which has gained momentum during the pandemic, drummed up excitement and interest for this year's shopping festival. To put the scale and ubiquity of live streaming commerce in perspective, Alibaba Taobao Live sold more than RMB5.1 billion (\$738.2 million) worth of goods via live streaming on the first day of 618. Meanwhile, JD.com hosted 300,000 live streaming sessions and teamed up with Kuaishou for a 24-hour campaign, which saw the short-form video app rack up RMB1.4 billion (\$202.6 million) in sales.

While the point of the event was to ultimately drive sales, price was top of mind this year given that many consumers in China are still cognizant of their finances amid the pandemic. Vendors at this year's event have leaned heavily on subsidies, digital vouchers and discounts, including JD.com, which gave out RMB10 billion (\$1.45 billion) in subsidies.

618's success is a sliver of hope for China's retail sector, but the industry will still have a long and winding recovery ahead.

Based on a baseline scenario, we forecast that total retail sales in China will decline 4.0% in 2020 to RMB35.043 trillion (\$5.072 trillion), as retail ecommerce outperforms with 16.0% growth to RMB14.440 trillion (\$2.090 trillion).

Total Retail and Retail Ecommerce Sales in China, 2020-2024					
<i>trillions and % change</i>					
	2020	2021	2022	2023	2024
Retail ecommerce sales*	\$2.090	\$2.424	\$2.860	\$3.335	\$3.636
% change	16.0%	16.0%	18.0%	16.6%	9.0%
Total retail sales	\$5.072	\$5.249	\$5.533	\$5.826	\$6.123
% change	-4.0%	3.5%	5.4%	5.3%	5.1%

*Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales; excludes Hong Kong; *includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment*
 Source: eMarketer, June 2020

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Data from the National Bureau of Statistics (NBS) shows that the decline in China retail sales eased to -2.8% in May, after shrinking -7.5% in April and -19.0% during Q1 2020, while online retail grew at 22%, 17.8% and 5.9% respectively.