

5 digital trends in China to watch in 2021

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2020 was a tumultuous year to say the least, but as the adage goes, in crisis there is opportunity. This idea is literally embedded in the Chinese word for “crisis” (危机): Its second character means opportunity.

China’s populace appeared to have embodied that spirit. In a challenging year, entrepreneurs and regulators alike worked together to steady the ship and found ways to restore some normalcy through resilience, digital innovations, and timely policies. At the start of 2021, China looks well positioned to carry on with the rapid digital transformation it has undergone for the past two decades, on the back of the innovative forces that sprung up in a difficult year.

Here’s what to look forward to in China in 2021.

The government will unleash regulations on tech giants

A source of national pride in China has been the digital giants that emerged over the past couple of decades, due to the incredible growth of the country’s digital economy. But regulators are ready to turn the page from quantity to quality of growth.

Digital companies have always had to adhere to government policies, particularly those pertaining to self-censorship and, more

recently, those concerning youth internet addiction, consumer rights, and consumer data collection.

By the end of 2020, however, things felt a little different. For one, regulators made an amendment to give the antitrust law more teeth against big tech companies. Anticompetitive behaviors, such as blocking links to competitors' sites and forcing brands to sell exclusively on one platform, are also getting renewed scrutiny. In November, regulators suspended financial technology giant Ant Group's IPO (which would have been the world's largest) at the last minute, citing concerns about its impact on the stability of the country's financial system.

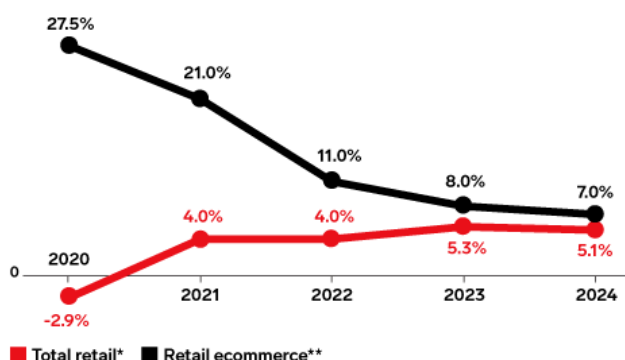
In 2021, look for more stringent regulations and stiffer penalties against big tech companies, particularly around antitrust and financial technology. There aren't talks of breaking up big tech in China, as there are in the US. Rather, regulators will look for ways to ensure the long-term health and innovativeness of China's digital ecosystem, while injecting greater openness into its walled gardens.

The shift to digital consumption will accelerate in 2021

The coronavirus pandemic has fueled online shopping in China, helped create many first-time ecommerce buyers, and fostered new shopping behaviors. Shoppable livestream, online grocery, and local group buying are well positioned to gain further traction, even as travel restrictions have eased. We forecast that retail ecommerce sales in China will grow by 21.0% in 2021, versus the 4.0% growth in total retail sales. As a proportion of total retail, retail ecommerce will jump more than 7 percentage points year over year to 52.1%.

Total Retail* vs. Retail Ecommerce** Sales Growth in China, 2020-2024

% change



■ Total retail* ■ Retail ecommerce**

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; 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
Source: eMarketer, Dec 2020

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With a broader rollout of COVID-19 vaccines—and possibly an end to the pandemic—within sight in China, industries such as travel and hospitality, and even financial services and luxury goods, will increasingly use livestreaming to create demand.

5G forges ahead

China's 5G rollout has been a resounding success (thus far), despite the pandemic and geopolitical headwinds, which saw the US ban leading telecom equipment providers Huawei and ZTE from accessing computer chips made with US technology for their 5G products. By mid-November, roughly a year after launch, China had built more than 700,000 5G base stations—reaching its target for 2020 ahead of schedule—and boasted 180 million 5G connections, according to official figures. Beijing and Shenzhen have claimed full 5G coverage since summer 2020.

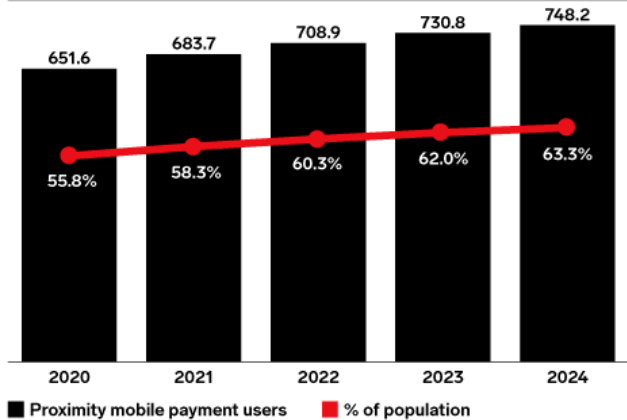
China is counting on this next-generation networking technology to transform industries through digital video, virtual reality (VR), autonomous vehicles, telecom, and the internet of things (IoT). With China preparing to host the Winter Olympics in February 2022 and anticipating a strong rebound in GDP this year, look for the country to double down on its 5G buildout.

DCEP will increase digital payment penetration

A national digital currency issued by China’s central bank, Digital Currency Electronic Payment (DCEP) will bring broader access to proximity mobile payment to a greater percentage of the country’s population. China has already tested DCEP on a limited scale, with designated retailers in both online and offline retail environments, as well as in peer-to-peer (P2P) transfers.

Proximity Mobile Payment Users and Penetration in China, 2020-2024

millions and % of population



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile devices as a payment method; excludes transactions made via tablet
Source: eMarketer, Aug 2020

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The mobile payment market is dominated by incumbents Alipay and WeChat Pay, and the government considers it necessary to introduce a public alternative. While the DCEP will find ways to collaborate with Alipay and WeChat Pay in the short term, these services will increasingly find themselves in contention in the coming years.

Look for bigger and bolder experiences with the DCEP in the lead-up to the Winter Olympics, when the country is planning a full-fledged launch in Beijing.

Virtual avatars will gain wider adoption among marketers

While the pandemic brings many in-person events to a halt, consumers are living their lives online in unprecedented ways, and marketers in China are seeking fresh means of interacting with them in a virtual environment. In November, Tencent Music Entertainment (TME) announced it partnered with Wave, a startup that hosts VR concerts with real-life celebrities, to work with its livestreaming division. Companies are also creating computer-generated characters known as virtual idols, which are finding their way into brand collaborations and livestreaming events. With the emergence of next-gen technologies such as 5G, and improvements in holograms and VR, look for marketers in China to ramp up investment in this untapped space.