

RETAIL

3 key factors that drove Alibaba's 2019 Singles' Day success

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By **Xiaofeng Wang**

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Alibaba generated a staggering \$38.4 billion in online gross merchandise value (GMV) on this year's 11.11 (also known as Singles' Day), up 26 percent year-on-year. It surpassed our earlier forecast of \$37.4 billion in GMV, despite China's economic slowdown and uncertainty generated by the trade war with the United States.

Focusing on three key factors, Alibaba drove success by:

Pushing the boundaries of what and where to sell and to whom. In addition to selling more product categories, Alibaba expanded 11.11 to new markets, both inside and outside of China.

As Alibaba marks 16 years of ecommerce in China and 11.11 enters a new decade, online retail in top-tier cities is saturating and its growth is slowing.

The retail giant faces fierce competition from emerging players such as Pinduoduo that use budget deals to attract price-sensitive consumers in lower-tier cities.

This year, Alibaba tried hard to reach and acquire new customers in lower-tier cities, adding a group-buying feature and a separate Taobao Deal app.

In Tmall Global's 10 markets across Asia Pacific and North America, it also launched aggressive 11.11 promotions such as parcel consolidation, shipping from local warehouses, and local payment options.

In addition, Lazada in Southeast Asia also contributed the overall 11.11 GMV growth via aggressive promotions and in-app gamification.

Using preorder campaigns and promotions to boost the one-day GMV. Alibaba kicked off 11.11 on Oct. 21 and launched promotions to ensure that more transactions would occur on 11.11 itself.

Exclusive preorder offers encouraged consumers to add products to shopping carts 20 days prior to the event, where the transactions would be held until 11.11.

To some extent, this compressed 20 days of GMV into 24 hours.

Additional discounts only applied if shoppers paid a nonrefundable deposit up front and agreed to settle the balance on 11.11.

Canceling a preorder or failing to pay the balance on time would cause shoppers to forfeit their deposit, and returns and refunds were not possible until Nov. 12.

These policies ensured that retailers would generate maximum GMV on Nov. 11 despite the likelihood that they would have lots of returns and refunds in subsequent days.

Leveraging live streaming to drive sales. Live-streaming commerce is gaining momentum because it combines three popular elements: mobile videos, influencers/key opinion leaders (KOLs), and exclusive/limited-time offerings.

In a typical week, metro Chinese consumers spend 4.5 hours watching video online; 39 percent stream video on their mobile phones.

Social commerce and KOLs are popular: 57 percent of metro Chinese consumers agree that they rely on recommendations when making purchases.

Live streaming successfully captured consumers' attention and helped them discover products.

Recommendations from KOLs [key opinion leaders] and real-time comments from peers helped consumers make purchase decisions faster.

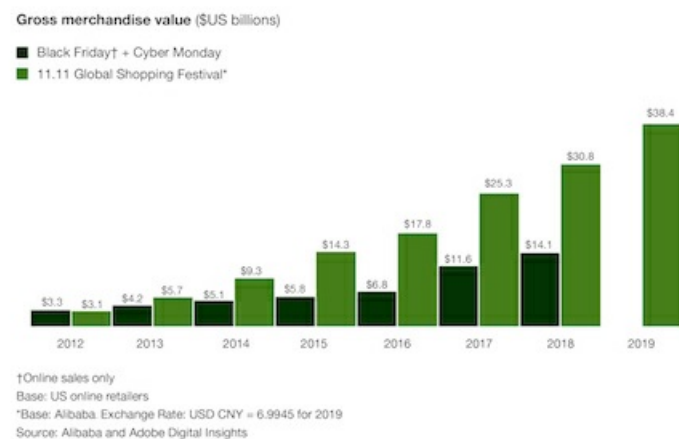
Live-streaming sessions often include exclusive limited-number and limited-time offers that create urgency to buy.

Taobao generated more than RMB 100 billion (\$15.1 billion) in GMV via live-streaming sessions in 2018.

More than 17,000 brands participated in live streaming on 11.11 this year.

Alibaba is now testing AI-powered real-time translation for live streaming and plans to take streaming commerce global.

Alibaba's 11.11 GMV Broke A New Record In 2019



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Alibaba's 11.11 gross merchandise value broke all records in 2019. Image credit: Forrester Research

Other retailers also participated proactively to boost sales and differentiate themselves:

NetEase Youxuan bucked the trend of complex promotion schemes, providing a straightforward 20 percent discount on any purchase appwide.

Shopee offered dining and travel deals online, including food vouchers (in partnership with restaurant reservation booking platform Chope), food-delivery and ride-hailing offers (in partnership with Grab), movie tickets, and destination tickets.

Pinduoduo leveraged 11.11 to boost its positioning from budget retailer to quality retailer. It provided aggressive subsidies for premium products such as iPhone 11s to acquire new customers with greater purchasing power from higher-tier cities.

A SUCCESSFUL 11.11 is more than promotions and GMV.

Retailers and brands large and small must strike a balance between stimulating engagement and consumption, and providing frictionless shopping experiences to build trust and long-term customer loyalty.

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