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8 things that rocked China ecommerce in 2019

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It is expected that more growth will come from decentralized ecommerce, in which the customer journey starts with text and video content on online media platforms rather than search-focused ecommerce platforms. Image credit: Shutterstock

By Ker Zheng

This was a challenging year in China ecommerce as competition intensified and growth in China's Internet industry began to slow, forcing many players to cut loss-making businesses such as Kaola.

Large foreign retailers such as Forever 21, Carrefour and Metro exited the market, Amazon shut down its domestic China business, and larger players such as Alibaba and JD.com doubled down on growth in lower-tier cities.

We review what happened in 2019 and what it all means for the future of China ecommerce.

1. Livestreaming ecommerce took off

Livestreaming + ecommerce became popular this year as platforms and merchants alike began looking for better ways to engage customers. Tmall Global product views brought in through Taobao Live jumped 309 percent to reach 35.03 million this past year, and the number of products purchased jumped 430% to reach 2.36 million.

Kim Kardashian collaborated with livestreaming influencer Viya to sell 15,000 bottles of KKW Beauty perfume on Singles Day. Viya and Austin Li, who started his career as a L'Oreal attendant, were two of the top livestreamers this year. More than 100,000 brands and merchants used livestreaming to market their products on Singles Day this year, a new record.

2. China's new ecommerce law came into effect, forcing daigou sellers out

Enacted towards the end of 2018, China's new ecommerce law was the first of its kind to place sweeping regulations on the ecommerce industry. The regulations require all online merchants to register for business licenses and pay business taxes.

Those who were notably affected included individual gray-market daigou sellers on Taobao and WeChat. These merchants smuggle in imported products and re-sell them at a mark-up. Many of them exited the market for fear of government crackdowns or declining profits. Some resorted to posting sketch art on WeChat to avoid being tracked by the authorities.

3. Singles Day broke new records

Alibaba alone generated more than 268.4 billion RMB ($38.4 billion) in GMV on Singles Day 2019, a 26 percent year-over-year increase from the previous year. Total Singles Day GMV, including that of other platforms, jumped 52 percent to reach 600 billion RMB.

Notable trends this year included live streaming-powered ecommerce, omnichannel retail and more focus on China's lower-tier cities.

4. Alibaba purchased Netease's Kaola import business for US$2 billion

Kaola's cross-border import platform was popular amongst daigou sellers, moms, and die-hard cross-border ecommerce fans. As a direct retailer, it purchased items in bulk at steep discounts, in turn passing on the savings to customers.

However, Netease was losing too much money on this business and, after failed merger talks with Amazon China, ended up selling Kaola to Alibaba for $2 billion. With Kaola and Tmall Global combined under its umbrella, Alibaba owns more than 60 percent market share of the cross-border ecommerce import market in China.

5. Amazon shuttered its domestic China business, opts to partner with Pinduoduo

After years of dwindling market share and not long after merger talks with Kaola fell through, Amazon finally closed down its domestic China business to focus on cross-border imports.

But in November, Amazon announced that it would launch a pop-up store to sell imported goods on Pinduoduo's platform. The pop-up store, consisting of 1,000 goods from the likes of Dyson, Bose and Timberland, was launched in time for China's Black Friday promotions, and will last through the rest of 2019.

6. Homegrown Chinese brands surged in popularity

Local beauty and cosmetics brands such as Perfect Diary, Pechoin and Chando all placed in the top ten rankings of this category on Singles Day, indicating that local players are getting better at creative branding and appealing to Chinese consumers.

Guangzhou-based cosmetics brand Perfect Diary partnered with the Metropolitan Museum of Art and the British Museum to launch co-branded collaborations that proved to be highly popular with local consumers. It is expected that local brands, with ample funding, faster decision-making processes, and better knowledge of local consumers, will continue to gain market share in China's retail and ecommerce market.

7. China's ecommerce behemoths doubled down on China's lower-tier cities

Alibaba invested 10 billion yuan in subsidies for its group-buying platform Juhuasuan to compete with Pinduoduo. JD.com also launched Jingxi, a separate app and WeChat mini-program that also focused on group-buying to compete with Pinduoduo.

JD.com also invested more in its omnichannel retail strategy "Boundaryless Retail," opening a 50,000-square-meter experience store in Chongqing to demonstrate its full capabilities. The store includes electronic price tags, 5G infrastructure and robots that guide customers to their preferred areas.

8. Xiaohongshu was delisted from China's app stores

The social commerce platform struggled to monetize its business, and saw increasing scrutiny from the government over its content quality. In August, Xiaohongshu was delisted from major app stores for displaying crude and inappropriate content such as posts on e-cigarettes, injectable skin filler treatments, and borderline pornographic/prostitution-related content.

The incident highlights how difficult it is to monitor content on a platform as large as Xiaohongshu, which has more than 3 billion content posts to monitor. The outlook looks bleak as many users have complained about the declining quality of the content on the platform and the platform has yet to figure out how to monetize its traffic.

What lies ahead for China ecommerce?
There is still opportunity in the China market, but brands and retailers have to get creative about grabbing customers' attention.

It is expected that more growth will come from decentralized ecommerce, in which the customer journey starts with text and video content on online media platforms rather than search-focused ecommerce platforms.

Potential opportunities lie in livestreaming, short videos, WeChat commerce, lower-tier cities and omnichannel retail.

IT REMAINS to be seen if these channels can provide an ROI higher than that of ads on Taobao/Tmall.

It is expected that the larger players will continue to see slowing growth and eroding margins as customer acquisition becomes more difficult.

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