

# China Internet

## Trends observed from this year's 618 shopping festival

For this year's 618 shopping festival, per Syntun data, overall industry GMV growth recovered to 14.8% YoY (2022 618: 8.2%), driven by the recovery in growth of horizontal e-commerce platforms (from 0.7% YoY in 2022 to 5.4% in 2023), which we attribute to the efforts spent to drive for consumer engagement improvement, and by the increase in penetration of live streaming e-commerce. GMV generated from live streaming e-commerce channel during 618 shopping festival was up 27.6% YoY in this year's sales promotion. Although the growth was still faster than overall industry average, it slowed from 124% YoY compared to 2022, which likely indicates a marginal easing of competition that it brought to traditional horizontal e-commerce platforms. Traditional e-commerce platforms are continuously enhancing supply chain capabilities and enriching product supply, as well as strengthening content ecosystem to enhance consumer engagement. Maintain BUY on Pinduoduo (PDD), Alibaba, and JD.com (JD).

- **Alibaba: driving for improvement on consumer engagement, merchants ROI, and product supply.** For this year's 618 shopping festival, Alibaba reiterated that consumer engagement is the core KPI, and investments centre on consumer engagement improvement through enhancing content ecosystem and infrastructure capability, and key evaluating metrics including user time spend, user stickiness, and effective user growth. In addition, Alibaba is also continuously enhancing ROI for merchants and brands. The company is helping brands better operate their membership programs to achieve better sales. Alibaba highlighted that a record number of merchants have participated in this year's sales promotion. Over 2.56mn SMEs on Taobao and Tmall platform saw their respective GMV topped that of last year's festival, and 1.18mn SMEs broke through GMV of RMB10,000 each.
- **JD: enlarging merchant base and enhancing supply chain capabilities.** JD is in business transition period. The company is making investment to enhance supply chain and enrich product supply, in order to drive for greater consumer mindshare on value for quality products and better third-party business operating environment. JD did not disclose its GMV for this year's 618 shopping festival, but highlighted that the growth was better than its expectation. The company highlighted its progress in: 1) enhancing product supply to cater for demand of value for quality consumer base; 2) new merchants and consumer acquisition; and 3) improvement in technological capability to enhance user experience. Per company data, during the first ten minutes of this year's 618 shopping sales promotion, the number of brands that saw transacted GMV over RMB100mn grew 23% YoY, and c. 50% of the small and medium merchants on JD's platform saw their respective transacted GMV grew 200% YoY.
- **Live streaming e-commerce: solid GMV growth sustained.** According to Kuaishou, between 1 and 3 June, the number of order volume on its e-commerce platform grew 72% YoY, and the number of consumers increased by over 50% YoY. During the same period, GMV for branded products saw increase of 222% YoY, and GMV for household supplies and 3C categories saw GMV increase of 139% YoY. Per official Weixin account of Douyin E-commerce, for pre-sale period of this year's 618 shopping festival, daily average GMV of Douyin e-commerce platform grew 24% compared to that during Double 11 shopping festival sales promotion in 2022. As of 5pm on 8 June (from 31 May), the number of consumers that paid for Douyin Mall orders grew 239% YoY, and the number of merchants that has recorded sales GMV increased 182% YoY.

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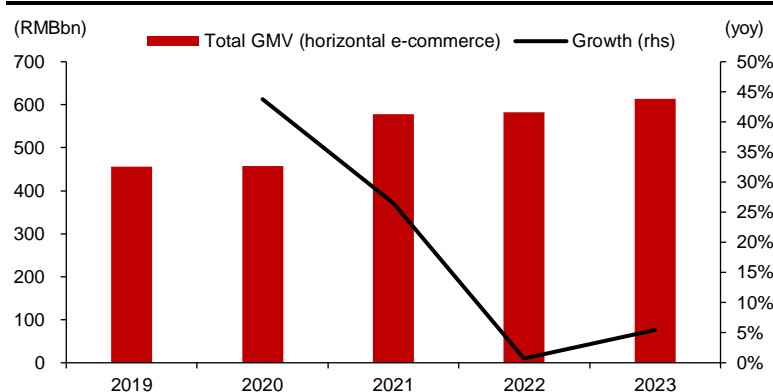
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## Healthy 618 sales GMV growth aided by efforts to drive for better consumer engagement

Based on Syntun data, the e-commerce industry GMV for this year's 618 sales promotion totalled RMB798.7bn, up 14.8% YoY (2022 618: 8.2%), to which horizontal e-commerce platforms (i.e, Tmall, JD) contributed RMB614.3bn, up 5.4% YoY (2022: 0.7% YoY, 2021: 26.5% YoY). The recovery in growth, in our view, can be attributed to: 1) efforts made by e-commerce platforms to drive for better consumer engagement; and 2) a relative low base in 2022. In addition, GMV generated from live streaming e-commerce platforms was RMB184.4bn, up 27.6% YoY, and increased its contribution to 23.1% (2022: 20.8%) in overall e-commerce sales promotion GMV during this year's 618.

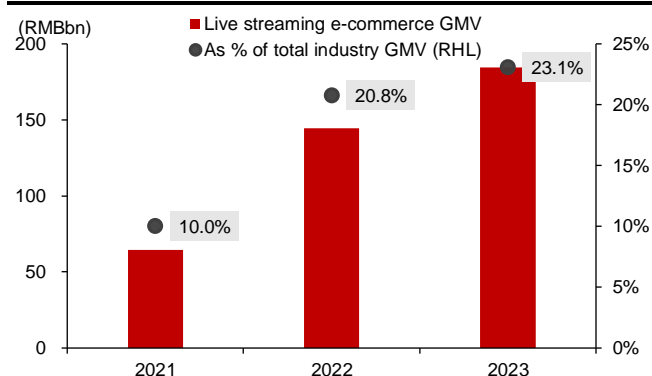
**Figure 1: 618 sales promotion: e-commerce industry GMV and growth**



Source: Syntun, CMBIGM

Note: for horizontal e-commerce platforms only, which exclude e-commerce GMV generated from live streaming platforms such as Douyin and Kuaishou.

**Figure 2: 618 sales promotion: live streaming e-commerce industry GMV and contribution**



Source: Syntun, CMBIGM

## Live streaming e-commerce: solid GMV growth sustained

According to official Weixin account of Kuaishou E-commerce, between 1 and 3 June, the number of order volume on Kuaishou E-commerce platform grew 72% YoY, and the number of consumers increased by over 50% YoY. During the same period, GMV for branded products saw increase of 222% YoY, and GMV for household supplies and 3C categories saw GMV increase of 139% YoY.

Per official Weixin account of Douyin E-commerce, for pre-sale period of this year's 618 shopping festival, daily average GMV of Douyin e-commerce platform grew 24% compared to that during Double 11 shopping festival sales promotion in 2022. As of 5pm on 8 June (from 31 May), the number of consumers that paid for Douyin Mall orders grew 239% YoY, and the number of merchants that recorded sales increased 182% YoY. During the same period, total paid order volume for Douyin E-commerce grew by 161% YoY.

## Alibaba: driving for consumer engagement improvement

For this year's 618 shopping festival, Alibaba reiterated that consumer engagement is the core KPI, and investments centre on consumer engagement improvement through enhancing content ecosystem and infrastructure capability, and key evaluating metrics including user time spend, user stickiness, and effective user growth. In addition, Alibaba is also continuously investing in enhancing ROI for merchants and brands. The company is helping brands better operate their membership programs to achieve better sales.

According to Alibaba, during the first 28 hours of this year's sales promotion, the number of brands that saw GMV generated from their memberships surpass RMB100mn recorded

over 40% YoY. For most of the popular cosmetic brands/sports and outdoor brands, GMV generated from membership users contributed to over 60/70% of total on the first day of this year's 618 shopping festival.

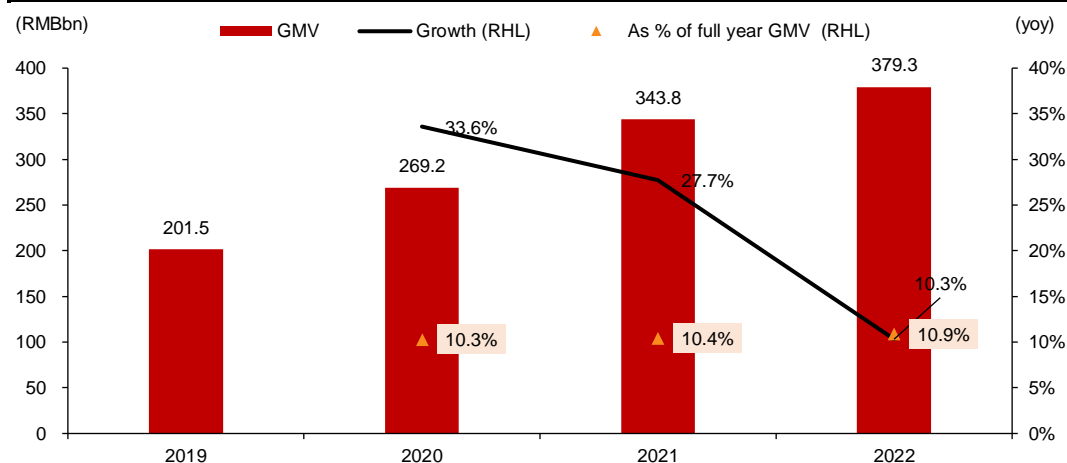
Regarding content ecosystem enhancement, the number of merchants that used short-video format to improve promotional activities increased by 55% YoY, and the daily average number of people watching short videos on Taobao during the 618 festival surged 113% from last year. The number of influencers and Taobao merchants releasing short-form videos on a daily basis jumped 200% year-over-year and 55% year-over-year respectively. The number of content creators who started livestreaming on Taobao during 6.18 leapt by 139% year-over-year.

During this year's 618 shopping festival, Alibaba enhanced its support for small and medium merchants, and highlighted that a record number of merchants have participated in this year's sales promotion. Alibaba launched a special promotion activity "Taobao Haojiajie (淘宝好价节)", which in our view could help further strengthen Taobao's product supply. Just after midnight on 18 June, 305 brands had racked up sales' above RMB100mn. For this year's shopping festival, over 2.56mn SMEs saw their respective GMV topped that of last year's festival, and 1.18mn SMEs broke through GMV of RMB10,000 each.

## JD: enlarging merchant base and enhancing supply chain capabilities

JD is in business transition period. The company is making investment to enhance supply chain and product supply, in order to drive for greater consumer mindshare on value for quality products and better third-party business operating environment. JD did not disclose its GMV for this year's 618 shopping festival, but highlighted that the growth was better than its expectation. The company highlighted its progress in: 1) enhancing product supply to cater for demand of value for quality consumer base; 2) new merchants and consumer acquisition; and 3) improvement in technological capability to enhance user experience.

**Figure 3: JD: cumulative GMV for 618 shopping festival**



Source: Company data, CMBIGM

Per company data, during the first ten minutes of this year's 618 shopping sales promotion, the number of brands that saw transacted GMV over RMB100mn grew 23% YoY, and c. 50% of the small and medium merchants on JD's platform saw their respective transacted GMV grew 200% YoY. As of 24:00 on 1 June, the number of new users that never shopped on JD before but started to buy products during sales promotion this year increased by 30% YoY, which in our view demonstrated the early-stage results of JD's business transition.

Regarding technological capability enhancement, JD highlighted that consumer in over 95% of the nation's districts and counties (improved 1pp YoY) received their deliveries on the same day or the next day after placing an order on JD platform during this year's 618 sales promotion. In addition, peak user traffic visit per second on JD cloud increased by 119% YoY, which in our view demonstrated further enhancement in user experience.

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