

Issue 3

The **RED** Edition



**REDFERN
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Message
From the CEO



Dear Readers,

I would firstly like to wish our friends, colleagues and clients a very Happy New Year! 2021 couldn't have come quicker for most and we look forward to turning the page on a new chapter. For many of our friends around the world, the past year has been tough, with global lockdowns, separated families and closed businesses.

With the ability for quick cross-border entry into market, many brands will be turning to China as a new market for opportunity and growth in 2021. Although growth and market opportunity through cross-border e-commerce (CBEC) is apparent, many foreign brands need to understand that there are two trends that may not act in their favor; an increasingly competitive domestic market and an increasingly sophisticated and diverse consumer.

Consumers are now looking to brands that offer more niche offerings that cannot be found domestically, as well as flavors, functions and styles that provide a unique experience or offering. Focusing on these niches offer opportunities for brands, rather than trying to clash head on with larger brands that have already carved out their category – especially in the online space. Further to that, we are also seeing a longer period of time before consumers make their first purchase. On average, a typical consumer has a minimum of 8 interactions with a brand before making a purchase.

We are seeing brands that have managed to reach decent sales within their first year, but the time taken to see substantial returns on Tmall has drifted back from the first quarter to the first year, as increasing amounts of paid media are needed in order to create word of mouth and build up hype around a brand.

Nevertheless, with more exhibitors than ever before at the China International Import Expo (CIIE) and with Alibaba smashing their previous year's sales by nearly doubling GMV for Double 11 – it seems that 2020 was no exception for foreign brands. In 2020, 357 new brands achieved the #1 position in their category, compared to the previous year, where only 11 new brands reached #1 in their category. Livestreaming reached RMB1.05 trillion in sales last year, with Viya, one of the top livestreamers in China, alone selling more annually than the entire revenue of Carrefour China.

This Double 11 we saw for our brands a bag of mixed results. Brands that have been in the market for a number of years were doing particularly well and seeing large uplifts, while newcomers that had launched in the last 6 months faced difficult competition as brands battled it out for space on in-app banners and within categories. Live-streamers became more selective with product promotions, knowing very well which brands currently have better market awareness and as a result would bring them higher returns.

An interesting element was how important out-of-app media became for E-commerce, with brands that had built up noise across multiple platforms achieving higher success when working with larger livestreamers and during their in-app festivals that they took part in on Tmall.

With Chinese New Year just around the corner and as we welcome in the Year of the Ox, RedFern Digital looks forward to an exciting year ahead. In the spirit of the Ox, we wish everyone a year of hard work and productivity!

- Ryan Molloy, CEO

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Business-to-Business (B2B) Marketing Growth and Conversion in the Digital Era

Business-to-Business (B2B) Marketing Growth and Conversion in the Digital Era

By Frank Ren, RedFern Digital

In the past year, marketers, especially in the B2B industries, have felt the urgency to shift their focus to the digital landscape. On the one hand, offline marketing, which has worked throughout the past years, is limited in terms of scale; on the other hand, successful cases of companies embracing new marketing approaches in their digital transformation are a guide for other brands in the industry in their paths forward.

When we talk about B2B marketing, there are several questions that must be considered no matter the industry:

- ✓ **How can we effectively acquire new leads and grow the customer base when traffic costs are increasing each year?**
- ✓ **How do we prioritize the high value leads for the sales team to follow up on in order to increase the conversion rate?**
- ✓ **How can we reach the end consumer and receive feedback data in order to help us increase the effectiveness of our marketing, for both the brand and the channel partners?**

When it comes to growth, we often think of “explosive growth” or “exponential growth”. However, these phrases will rarely apply to B2B marketing. Since the B2B salesperson will likely need to convince several people in the potential client’s organization before the deal can be closed, the decision making journey of B2B clients is usually much longer than that of B2C consumers.

It is worth noting that growth is not merely about new user acquisition. Instead, the nurturing of existing leads with the aim of converting them further down the line should also be a focusing point of B2B marketing. Thus, a full set of solutions based on solving the problems encountered by the clients is needed.

Getting the clients to understand and become aware of the B2B business is already a challenge. That being said, just because the potential client does not pay for the services now, this does not mean that there is no hope for conversion later on. In fact, reasons for an initial rejection could include a divided decision-making team, a long procurement cycle, insufficient budget, etc. When these situations occur, B2B marketers should continue with their efforts, ensuring that their company is placed at the top of the potential client’s provider list once the demand is triggered again in the future.

So how can B2B companies differentiate between leads and prioritize them according to which ones should be focused on? Generally speaking, a suggestion is to classify the B2B leads according to their level of awareness of the B2B company’s products or services. By looking at what stages the potential clients are at currently (e.g., initial research vs. actively looking for solutions), the different channels through which they were introduced to the B2B company (search engine, social media, etc.) and what kinds of actions they have taken involving the B2B company (downloaded their white paper, conducted initial conversations, watched training session, etc.), the B2B companies can then classify their potential clients. After prioritization of the leads, B2B marketers can plan and execute targeted marketing strategies for a predetermined purpose (increasing brand awareness or sales conversion).

For instance, content pushed to different groups of viewers can be categorized: those who followed the B2B business’ own media account through an offline brochure at a trade fair may want more brand and product information, while those who followed the same owned media account and sent messages to the brand after having read through the information already provided may need a more direct approach, such as a campaign invite or a problem-solution case study.





The purpose of B2B marketing is to convert traffic into leads, which can then be converted into qualified leads and ultimately, to sales.

Call-to-actions for the different touchpoints and scenarios should also be customized based on the level of previous engagement the B2B company has had with the potential clients. The difficulty encountered here is to differentiate the audience based on their feedback and behavior towards previous marketing activities.

Traditionally, a B2B company would ask the salespeople to do this manually, with the help of Customer Relationship Management (CRM), after direct communication with each potential client. The entire process consumes a lot of effort and time, and requires the salesperson to manually mark each lead as being qualified in the system, if he or she finds that the lead wants to participate in an offline event or would like to have a phone call.

As social media has become more widely used among businesses, B2B companies are also starting to push ongoing content to all of their stakeholders and followers of their accounts. In addition to the ongoing content, limited micro-level management of each follow can also be implemented to categorize them and understand who each follow is, what they want, and whether the B2B company should develop a targeted marketing strategy for converting their followers into leads.

Today, marketers can recognize the level at which each lead is located in the conversion process using marketing automation technology. By utilizing a Social CRM that connects together every digital touchpoint (social media, website, e-commerce store, CRM), B2B marketers can get a clear view of every user that has come across their company through digital marketing.

By tracking the behavior of the users (including whether they've followed the B2B company's account, read its content pushouts, has liked or shared its content, watched its livestreaming sessions, downloaded its whitepapers, etc.), the users can be scored according to viability, after which the manager of the Social CRM can then rate and prioritize the individual leads, categorizing them into different groups for future targeted content marketing and more customized call-to-actions based on future marketing activities.

In this way, a B2B company can not only improve the user experience through an implementation of strategic marketing after gaining more information on the target audience, but can also more closely and effectively connect the marketing and sales departments within the organization.



Staying **Healthy** in China:

The Rise of the Health Supplements Industry

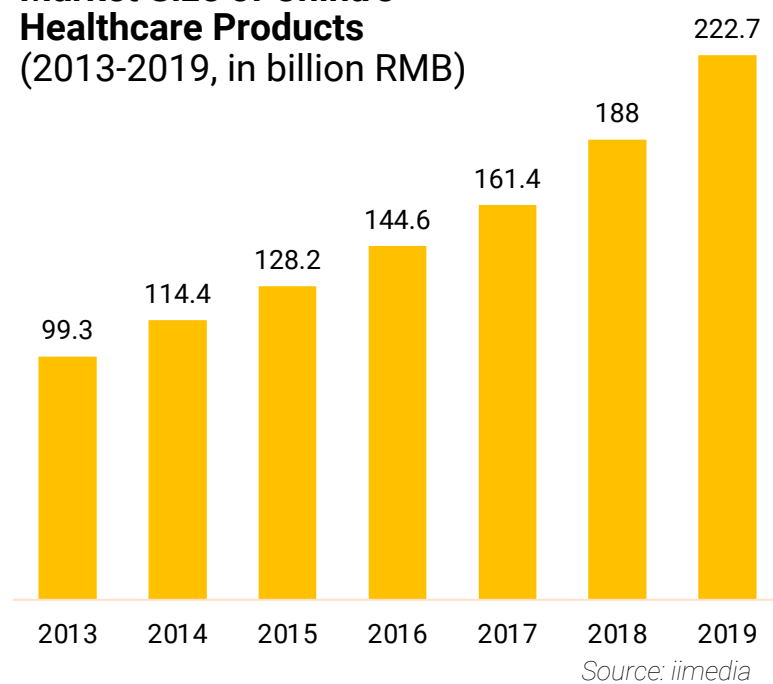
Staying **Healthy** in China: The Rise of the Health Supplements industry

By Sandra Weiss, RedFern Digital

Over the past few years, Chinese consumers have begun to pay more attention to their health and well-being, especially as income has risen and consumption has become more sophisticated. As a result, the health and dietary supplements category has grown exponentially, a trend which has further been spurred on by the COVID-19 outbreak and the growing middle-class in China.

Currently, China's healthcare market is estimated to be around 222.7 billion RMB, of which about half is from dietary supplement sales.

**Market Size of China's
Healthcare Products
(2013-2019, in billion RMB)**



Types of consumable health products

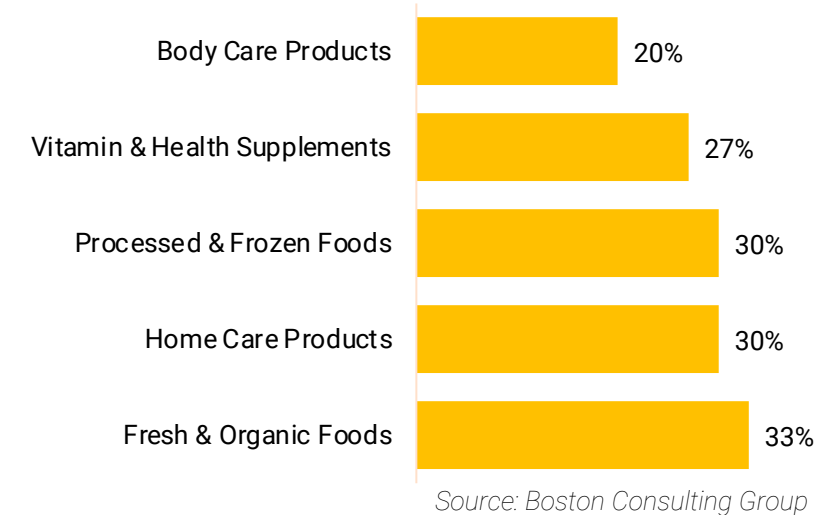
When it comes to health and dietary supplements, China is poised to become one of the largest and most diversified markets, with a range of different sub-sectors. These products can be separated according to their intended consumers, their functions or their ingredients.

Potential consumer groups: Infants, children, adult women, adult men, the older generations, pregnant women, fitness enthusiasts, body builders, white-collar workers in high-stress work environments, etc. (*Please note this is not an exhaustive list.)

Although sales of supplements across all categories are growing, one trend to take note of is China's aging population. Within the next 5 years, the number of people over 60 years of age in China is expected to exceed 300 million, which could be a potential opportunity for health products aimed at the elderly population or aimed at addressing issues that this age group would find relevant. Another trend is the general increase in interest among Chinese city dwellers for healthy living and fitness, which can be reflected in the rising number of gyms and fitness centers within cities such as Shanghai and Beijing.

Example functions of health or dietary supplements :
Improving the immune system, boosting memory, regulating the blood, improving quality of sleep, protecting the internal organs, weight management, assisting with digestion, muscle gain or body building, addressing issues related to either hair, skin or nails, etc. (Please note this is not an exhaustive list and are only some of the most popular functions.)

What products will you buy more of post COVID-19? (Chinese consumer survey conducted by BCG in May 2020, N=2,884)



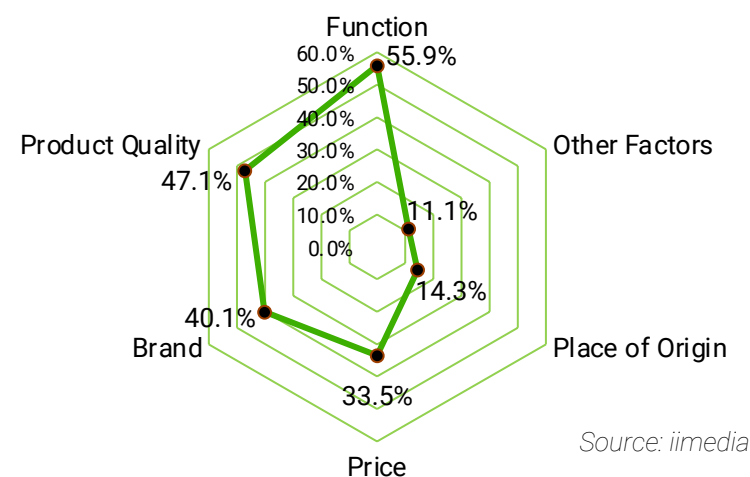
Selling into China

Brands that would like to sell their health & nutrition supplements into China through the domestic route need to comply with a number of strict regulations regarding product registration and licensing, which could take years to get finalized. On the other hand, brands could also go through the cross-border e-commerce (CBEC) path, which would allow them to get started much faster as it only requires platform registration and compliance. Thus, a suggestion would be to get started through CBEC, then once the brand becomes established and brand awareness has been built up, to go through the domestic route in order to further expand sales.

Chinese Consumers

When it comes to health & nutrition products, function is the most important factor that consumers consider before purchase. After that, brand credibility and reputation is very important to Chinese customers as well, since they want to know that the products are both safe to consume and effective at achieving their claimed functions. As a result, the influence of word-of-mouth (WOM) marketing and recommendations from friends, family and Key Opinion Leaders (KOLs) is significant.

Factors that Chinese consumers consider before purchasing health supplements (2019)



When health brands are trying to reach Chinese consumers, social media can be extremely advantageous:

WeChat is a platform brands can use to establish credibility. Health supplement brands need to build up credibility with consumers if they want to achieve long-term success. By establishing an official WeChat account, the brands can create a trustworthy touchpoint which consumers can go to if they want first-hand information about the product or brand.

Weibo is useful for raising brand awareness and reaching a large audience. As Weibo can be more of a visual platform, brands can create their own account to post or share content related to product photography or evidence of effects (e.g., before and after photos of customers who have taken the product). The visibility of this content can then be further amplified through the use of promotional tools built into the platform.

Xiaohongshu/Little Red Book is a platform for building up word of mouth marketing and where customers can post reviews of products and brands. Especially for functional products, such as health supplements, Xiaohongshu provides the opportunity to validate the product claims and to demonstrate the effectiveness of the products.

Zhihu is a Q&A platform in China that has grown to also include a forum and the publication of longer form informational articles. The platform has a professional reputation and is known for having high quality content, which could be a good fit for health products that are trying to build up their authenticity in the market. Brands can create accounts and directly answer customer questions, while also publishing more professional content related to their products or product functions.

As mentioned previously, recommendations or endorsements from KOLs will heavily influence consumer purchase decisions, therefore brands should look to work with KOLs operating on these social media platforms as well.



Post-COVID-19 Double 11,
What has changed?

Post-COVID-19 Double-11, What has changed?

By Annabella Li, RedFern Digital

For most Chinese consumers, the Double-11 shopping extravaganza in 2020 was a marathon. Starting from the 1st of November, the widest range of tools and platforms have been used to build up the hype for one of the biggest shopping festivals of the year: social media, short videos, livestreams, and celebrities all take part.

It's time for us to review the key trends that we've picked up on during this Double 11.

What did platforms do to hype up for Double-11?

Tmall and JD are obviously the two major battlegrounds for Double-11 shopping. In 2020, they both included more campaigns than ever before.

Tmall launches a commercial, delivering the message that Double 11 2020 starts on the 1st of November.



Tmall's biggest competitor, JD, sponsored a talk show and integrated brand messages into funny conversations or dialogues that are designed to appeal to the younger generations.

Although not as big as Alibaba and JD, Suning also took part in Double-11 campaigns, with Double-11 affecting the League of Legends S10 Global Finale in 2020. Suning's own team of gamers - SN - had a strong performance, making it to the final round. In accordance with this, Suning set up a gaming themed campaign to interest young Gen-Z consumers.



Suning E-sports 2020



11.11 抖音宠粉节 报名指南

活动介绍

抖音电商致力于成为用户发现并获得优价好物的首选平台，我们携手海量商家、创作者、机构及服务商共同打造11.11抖音宠粉节。以多元内容为用户提供更丰富的购物选择、更沉浸的购物体验，以多维场景加速高效交易，为生态伙伴提供创新型方案，用新生意撬动内容电商增长的新引擎！

活动扶持

解锁更多玩法

宠粉专属推荐

定向流量加持

Douyin and Kuaishou were also keen to engage in Double-11. They signed on large numbers of new livestreamers and celebrity livestreamers, investing massive resources into the livestreams with the purpose of driving traffic and engagement.

Douyin launched their own Double 11 campaign. Following their official ban of external links for livestreams, the platform began an initiative to help businesses who have set up Douyin stores to benefit more from their stores.

Livestreamer + Celebrity is becoming the new trend.

A significant change in 2020 was that many celebrities chose to work with high profile livestreamers, capturing massive attention and search volume.

In addition, some celebrities have hosted their own livestream sessions. Through their livestreams, viewers are able to interact with them and get to know them through a real-time format that is more personal than their pre-established public image. As a result, these celebrities have been able to successfully build up their personal brands.

Liu Tao – Movie celebrity



6 Taobao livestreams over Double-11

9bn in sales generated within a single session

Her livestream sessions are friendly and warm, and she uses them to teach consumers how to use coupons and Double-11 discounts to buy products with the best deals.



Li Dan – Talk show celebrity

1 Douyin livestream during Double-11

23.8m in sales generated

His livestream session was formatted more like a TV show. As a talk show host, he always delivers brand messages through his play of words, which made his streaming session highly entertaining for the viewers. As he is also known for being an alcohol enthusiast, he is very good at driving alcohol sales.



5 Kuaishou livestreams over Double-11

29.9m sales generated within a single session

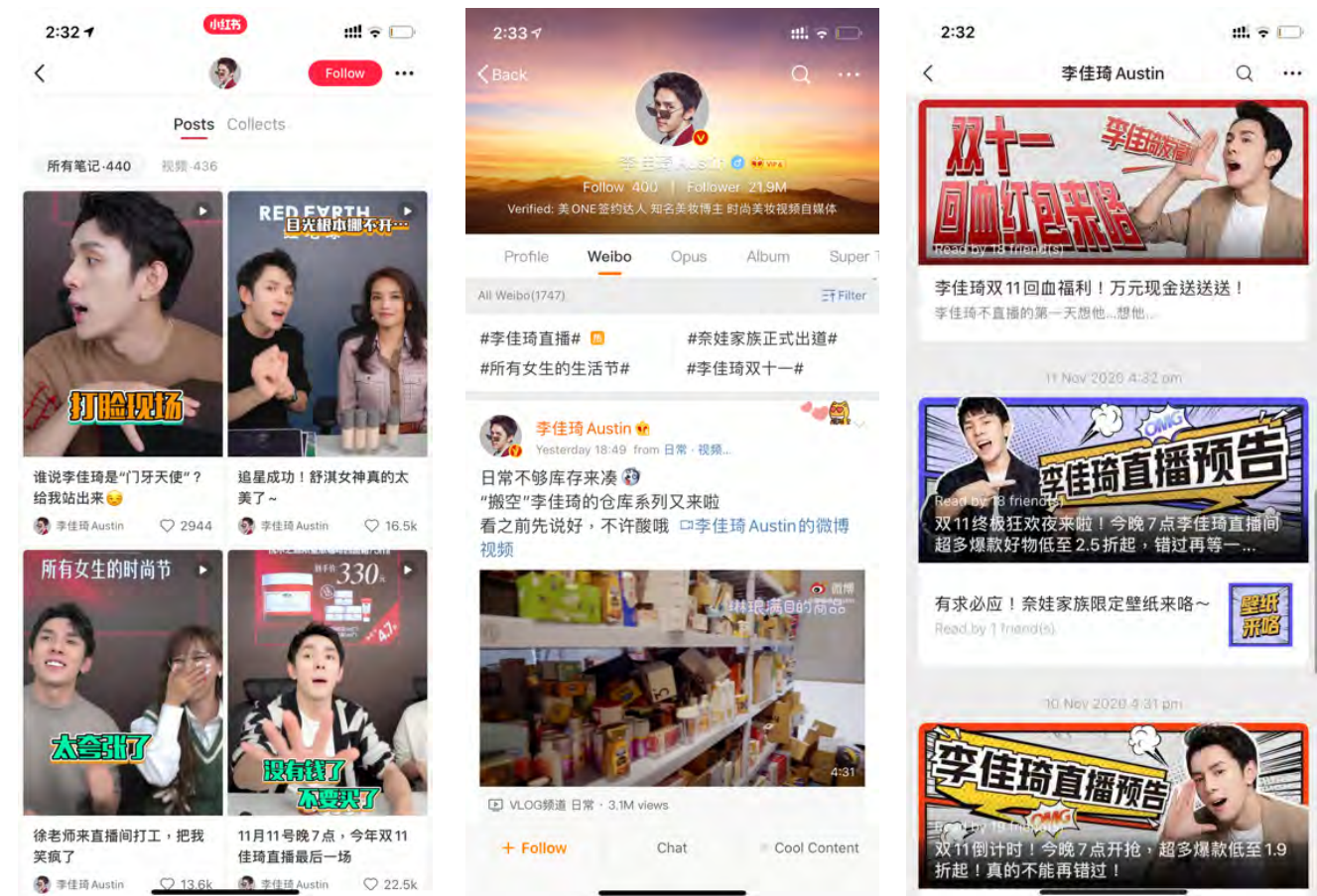
Although he usually plays the role of a CEO in his tv shows, the actor himself has a very funny and friendly personality, which appealed to a lot of viewers. His sense of humor also added entertainment value to his livestreams.



When it comes to high-profile professional livestreamers, they are also dedicated to introducing more tactics into their livestreams in order to attract more views.

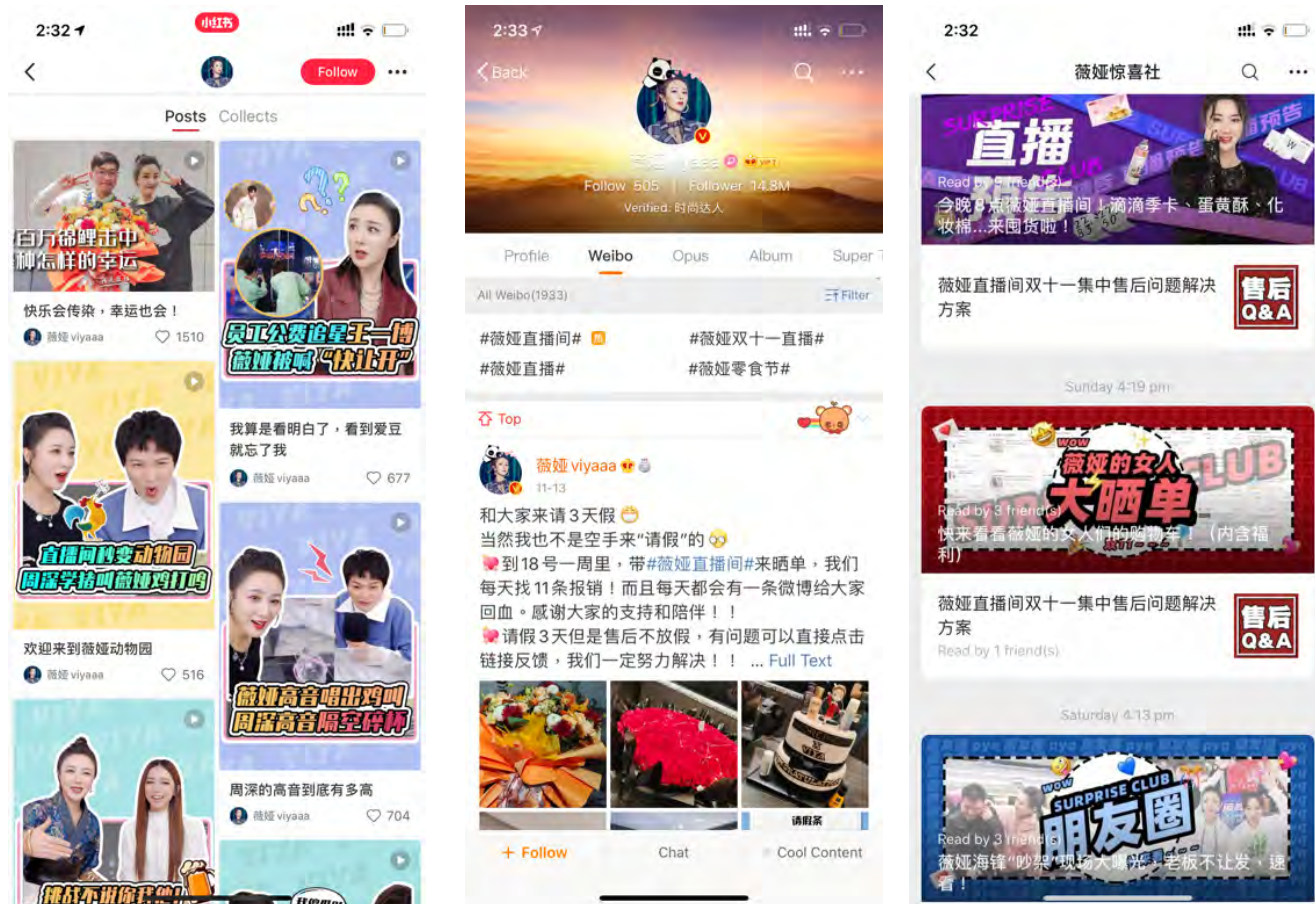
LI JIAQI (Austin Li) has been dedicated to building up his own personal branding. Known as '人间喇叭' (translated, this means 'a walking horn' and represents Li Jia Qi's exuberance and tendency to shout and yell in order to push sales and promote a product or brand), the top livestreamer has been promoting his livestreams by taking advantage of his private traffic pool and his multi-channel social media presence.

LI JIAQI'S SOCIAL MEDIA PLATFORMS



VIYA, the strongest competitor of Li Jia Qi, invited a lot of celebrities onto her livestreams, which allowed for cross-promotion that brought in huge numbers of views and enormous traffic.

VIYA'S SOCIAL MEDIA PLATFORMS



Top searches on Weibo are taken over by livestreamers and celebrities.

IN CONCLUSION.

Nowadays, livestreaming offers much more than just a 'TV shopping' experience. With more and more celebrities flooding into the industry, livestreams have gradually evolved into a type of variety show. The livestreamers act as hosts, while the celebrities are their guests. Chinese consumers engage with e-commerce not only just to buy things and shop online, but also as a form of daily entertainment. From building viral videos, to working with celebrities, or even to aligning with the gaming industry, the major players in livestreaming are all targeting the Gen-Z consumers in order to achieve market success in the long run.

Pushing Sales during Double 11, New Mechanisms and Livestreaming



Pushing Sales during **Double 11**, New Mechanisms and Livestreaming

By Fiona Xiong, RedFern Digital



Tmall's Double 11 Festival in 2020 lasted from Nov 1st to Nov 11th. A 'real-time' turnover is shown.

Singles' Day is an annual shopping festival held on November 11, during which Chinese e-commerce sites such as Taobao, Tmall and JD have massive discounts and promotions. For brands, it is both a big opportunity and a big challenge. Singles Day 2020 came as the Chinese economy continues to recover from COVID-19, after the country brought the spread of the virus under control. In terms of numbers, Tmall's Singles' Day sales reached RMB 498.2 billion (US\$75.27 billion), which is a year-on-year increase of 26%.

To encourage consumers to engage and increase social interactivity, Taobao implemented multiple mechanisms that shops could utilize to offer discounts during the shopping festival, such as cashbacks, deposits and livestreams. With its immediacy, interactivity and large discounts and coupons, livestreaming has become the biggest attractor motivating consumers to make purchases during Double 11.

In the wake of COVID-19, China's livestreaming industry has surged, and ever-increasing numbers of creators are joining the action. The outcomes are impressive:

- ✓ **Over 400 brand presidents and over 300 celebrities used livestreaming to promote brands or products.**
- ✓ **Merchants' in-store livestreaming GMV increased by 509.34% YoY.**
- ✓ **Taobao livestreams created more than 4 million job opportunities.**

After less than two hours from 00:00 on November 1st, the turnover of 342 brands, including Apple, Nike, L'Oréal, Haier, Estee Lauder, Huawei, Midea, Lancôme, Xiaomi, Adidas, etc. exceeded RMB 100 million.

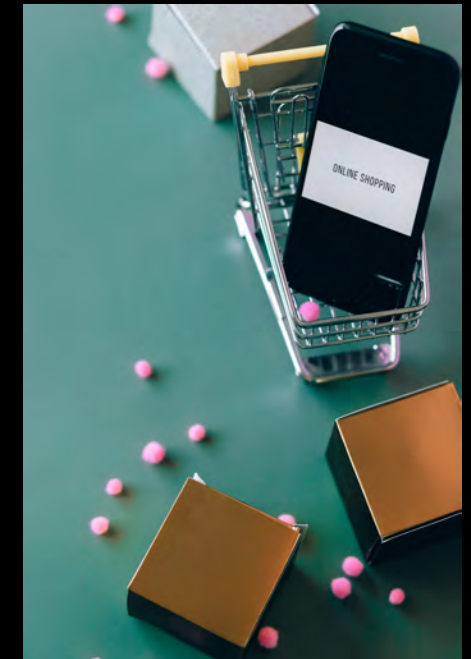
Livestreamers are using their personality and discounts to attract consumers. Currently, the two top livestreamers, Austin Li (Li Jiaqi) and Viya, have seen incredible viewership and sales. Austin and Viya received RMB 149 million and 162 million cumulative views on the day that pre-sales began.

According to the data, the top 50 livestreams across all platforms have helped to drive over RMB 31 billion in sales: RMB 19.8 billion were from Taobao, RMB 10.1 billion were from Kuaishou, and RMB 1.79 billion was contributed by Douyin.

However, the explosive growth of livestreaming has brought about many issues and attracted negative social attention as well. The China Consumers Association collected a total of 334,083 negative reports related to E-commerce livestreaming. The daily number of negative feedbacks reported was relatively stable, at an average of about 12,373 pieces per day, with the highest number reported on November 11, Double 11 itself.

Other issues within livestreaming include false reporting on the number of viewers and on the sales data, click farming, and malicious complaints filed at competitors.

To best take advantage of the livestreaming industries, brands and merchants should grasp the opportunities presented within livestreaming, while also remaining flexible and making adjustments according to the brand's own situation or the market trend. It is necessary to correctly use algorithms, big data analysis and other technologies to accurately anticipate consumption behavior and industry trends. At the same time, brands also need to be aware of the issues existing within livestreaming, ensuring that every livestreamer they work with is trustworthy and provides accurate data on their viewership and sales.



Livestreams from Viya and Austin Li

A close-up photograph of a person's hands interacting with a laptop. The left hand is typing on the keyboard, while the right hand holds a silver credit card over the laptop. The person is wearing a white shirt and a thin gold chain bracelet on their right wrist. The background is blurred, showing a desk and some papers.

Looking at the trends of China's Economic Development through Double 11, 2020

Looking at the Trend of China's Economic Development through Double 11, 2020

By Vera Niu, Head of E-commerce at RedFern Digital

The 12th Double 11 Festival held by Tmall came to an end with a final turnover of 498.2 billion RMB. However, unlike in previous years, this figure is not just from November 11th itself, but is the cumulative total of sales from November 1st to November 11th. At the same time, JD's cumulative turnover during Double 11 exceed 271.5 billion RMB. Since the past two years, Double 11 has expanded beyond an exclusive game played between Tmall, JD and Suning. New E-commerce platforms such as Pinduoduo, Douyin, and Kuaishou have also joined the battlefield.

As a result of the COVID-19 pandemic, global consumption has continued to weaken, and many European and American companies hoped to focus their attention on the Chinese market. This hope is not groundless. On the one hand, in the past 10 years, the sales volume of Double 11 has maintained a double-digit growth rate. On the other hand, online shopping has remained strong even during the pandemic.

Tmall's Double 11 will most likely be able to last another 12 years, continuing to create new transaction records. The reason for this is not only the discounts and promotions offered during the shopping festival. Other factors include the emergence of new consumer demands, the increase in national income and the evolution of China's E-commerce industry, all of which have boosted the growth of Double 11.

Since the start of the pandemic earlier in the year, more and more new brands have begun opening their own stores on Tmall, increasing competition among the brands already established on the platform. Thus, the vigorous innovation of China's marketplace and the huge momentum of consumption is fully demonstrated.

In 2020, on the stage of Tmall's Double 11, consumers have made new brands into huge successes. The turnover of 16 new brands, including Perfect Diary (完美日记) and Huaxizi (花西子), exceeded 100 million RMB, ushering in a new 'historical moment'.

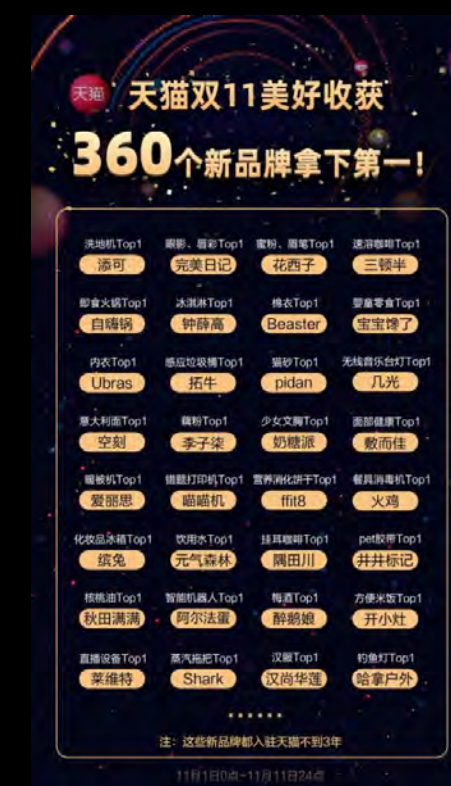
Moreover, 360 new brands reached first place in their sub-categories, which is the highest number of new brands in history. Not only was this number much higher than the 11 brands to do so during Tmall's Double 11 in 2019, but it also exceeded the 26 brands to achieve this during 6.18 on Tmall in 2020.

The new consumption scenarios created by Taobao livestreaming or live broadcasting is becoming the driver of brand growth.

In 2020, during Tmall's Double 11, nearly 300 million consumers poured into the Taobao livestreaming sessions. During Double 11, 33 Taobao livestreams had a transaction turnover of over 100 million RMB, and nearly 500 Taobao live broadcast rooms had sales of over 10 million RMB.



16 new brands on Tmall that reached sales of over 100 million on Double 11 in less than 3 years.



360 new brands that reached first place in their sub-category.



Since 2020, 90% of Tmall's core merchants have started livestreaming. From the product category point of view, the merchants engaged in livestreaming have also become much more diversified. In addition to the industries that traditionally saw more of an advantage when livestreaming, such as beauty, women's clothing, and jewelry, livestreaming has also extended into industries with high unit prices, long decision-making cycles, and strong offline purchasing scenarios. Examples of these categories include watches, glasses, floral arrangements, local lifestyle and household appliances, all of which experienced surges in Gross Merchandise Value (GMV) during Double 11 on Tmall.

In addition, Suning's "Super Buyers Livestreaming Room" saw a GMV that exceed 160 million RMB, while during Douyin's '宠粉节', the platform's overall transaction volume exceeded 18.7 billion RMB.

The influence of livestreams on the purchasing intent of the viewers is also much higher than that of traditional graphic marketing, causing new brand's to also significantly increase their focus and investments on livestreams.

From the perspective of monthly livestreams, when compared to the previous year, the number of livestreams that new brands have launched has increased. These new channels have helped the new brands rapidly gain market recognition and brand awareness.

When it comes to monthly transactional value, the sales from livestreams conducted by new brands has also increased significantly compared to the previous years. Among the 360 new brands that reached first place in their sub-category, more than 70% used livestreaming as an important tool to assist in their success.

With the help of digitization, new online consumption habits will develop, building deeper connections between offline and online consumption scenarios and creating new opportunities for economic growth.

The offline market appears to continue being able to promote Double 11 and boost sales during the shopping festival.

In 2020, during Tmall's Double 11, Alipay held the "Urban Life Carnival" (城市生活狂欢节) for the first time, covering food and beverage takeout, leisure, entertainment, alcohol, tourism, medical treatments, beauty, car sales, same city retail, etc. Coincidentally, in contrast to its previous online-based activities, JD's Double 11 also included offline activations.

For the first time, Suning also realized the potential of connecting online and offline initiatives to receive tens of billions of subsidies during Double 11 in 2020, from cities to counties and towns, from commercial circles to communities, becoming a "subsidy for the people" and causing the lower tiered cities to become a battleground for the home appliances market.

In the new consumption scene that has been constructed, various interests such as shopping, entertainment and leisure are becoming more deeply interwoven. From the tangible to the intangible services and products, consumers can enjoy higher valued and more diverse experiences.

Double 11 is not simply an online shopping event but has also become an important part of China's internal economic cycle.

According to data from the National Bureau of Statistics, in the first three quarters of 2020, when the total retail sales of consumer goods saw a year-on-year decline, national online retail sales increased by 9.7% year-on-year, and the growth rate was 2.4 percentage points faster than in the first half of the year, achieving growth that went against the trend.

The new type of consumption represented by "Double 11" adds both new elements and new growth to the Chinese economy. The excitement comes not only from the transaction volume, but also the growth and change in business models among brands. As new developments in e-commerce and consumption continues to develop, online shopping and the digital economy reflected by "Double 11" will create a large number of employment opportunities and will continue to boost consumer demand. It is an indispensable part of China's overall economy, especially when it comes to the internal cycles, and an important testimony of China's economy recovery and accelerated growth post COVID-19.





The Changing Landscape of the Chinese Baby Accessories Market

The Changing Landscape of the Chinese Baby Accessories Market

By Fressia Liu, RedFern Digital

Generally speaking, the baby accessories category in China is comprised of four major subcategories: feeding supplies, cleaning & skin care products, toys for enlightenment and diapers & wipes. Among these subcategories, products that address baby oral cavity cleanliness are seeing surges in demand.

In recent years, as knowledge on health has become more widespread and new concepts in parenting are becoming more popular, protecting their children's teeth has become a concern among more and more mothers.

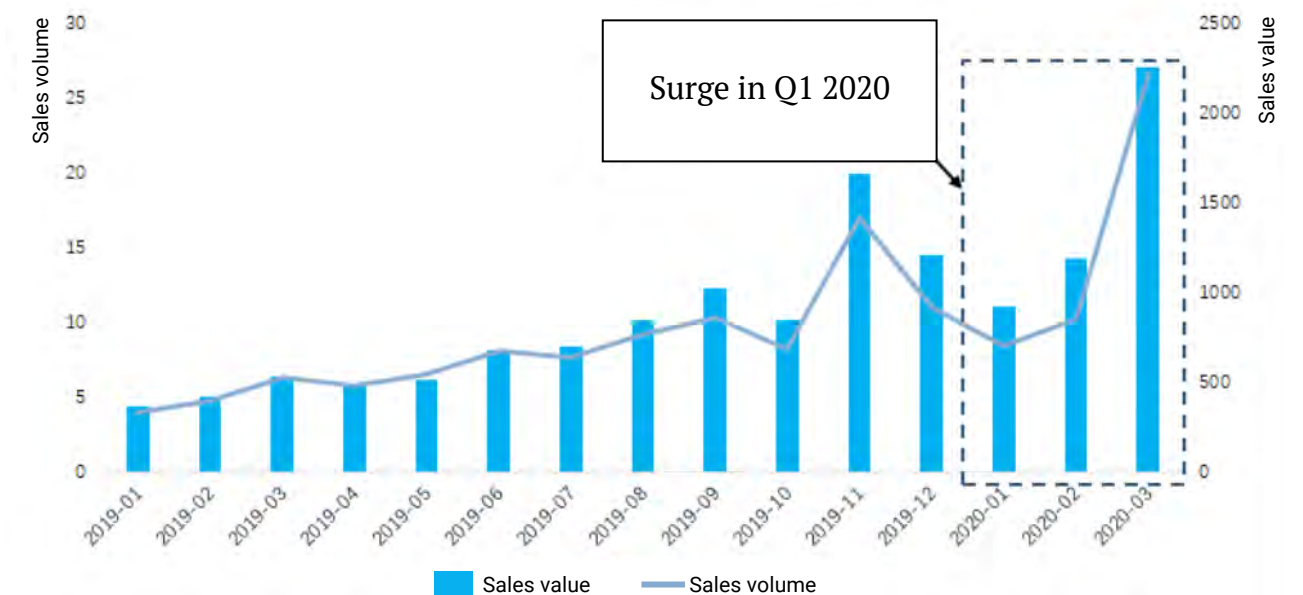
Oral health can both directly and indirectly affect overall health. The oral mucosa of newborns is soft and delicate, with abundant blood vessels and underdeveloped salivary glands. If babies are not able to receive proper oral cavity care, not only could oral diseases arise, but the digestive tract and systemic diseases may also occur. This has been a change in attitude when compared to the past, where oral cleaning was seen as more of a necessity for adults. Nowadays, more parents, especially those from the younger generations, are attaching greater importance to their babies' oral cavity health. According to search records from the most popular Chinese digital media platforms, Douyin (known as TikTok outside of China) and Little Red Book (also called Xiaohongshu), baby toothbrushes have continued to catch people's attention.

In the baby toothbrush market, sales of electronic toothbrush are seeing larger surges due to its advantages over the common toothbrush. These advantages include ease of use, movement features, strong cleaning ability, designed to not easily damage the teeth and to protect the gums.

Sales of this product on Taobao & Tmall have continued to increase since 2019, and a year-on-year growth of 331% occurred during the height of the COVID-19 situation in China, from January to March 2020 (MKTINDEX.COM, 2020). These findings suggest that the market demand of these products is continuing to grow, and the market scale has a great opportunity to expand.

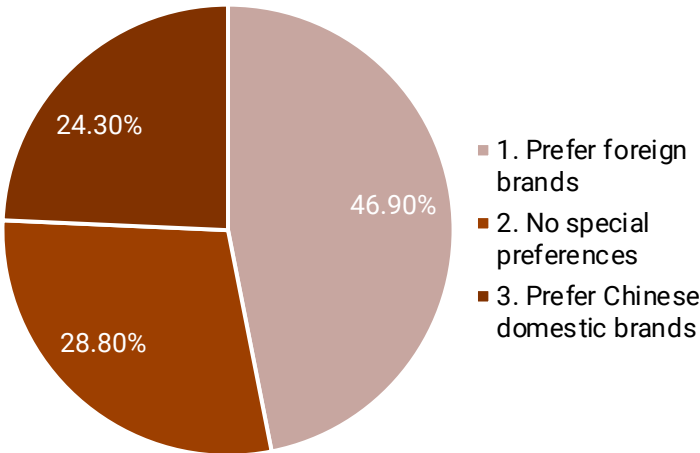


Sales of Baby Electric Toothbrushes



When it comes to consumer preferences for product origins, data (iiMedia,2020) shows that 46.9% of consumers prefer foreign products when buying baby products, while 24.3% of consumers choose to support Chinese domestic products. The foreign products most preferred are those produced in developed countries such as Japan, the United States and other European countries.

Consumer preference for baby products when it comes to domestic or foreign brands



Although, to some extent, domestic baby products may not currently be as advanced or high quality as foreign ones, the continued market penetration of domestic products has continued to increase. Thus, product quality and marketing promotions are also gradually rising, with more and more Chinese brands being recognized by post-95 consumers.

Therefore, the top five brands within this subcategory with the highest sales performance during the last fiscal year include both foreign and Chinese brands: Babysmile (foreign), Combo (domestic), Sakykids (domestic), Sasion (domestic) and Bbkon (domestic). Among these brands, the sales of Combo and Sakybaby have experienced rapid growth, and two of the brands are relatively new ones. These points indicate that foreign brands need to continue to innovate in order to remain competitive in the market, and that there is still an opportunity for new brands to enter the market and compete with the currently more well-known brands.

When consumers are choosing products such as these, the top concern is the material of the toothbrushes, as parents believe that good quality of the toothcare products is the first guarantee of the baby's oral cavity health. Recently, food-grade liquid silicone u-shaped brushes have occupied a large share of the market, as mothers think that are better able to fit to the baby's teeth shape, while also not harming the baby's dental gums and enamel.

Moreover, as technology continues to develop and new product functions are innovated, additional features such as whether the electronic toothbrushes can adjust their movement patterns and speed, can offer automatic UV disinfection, can include an intelligent voice interaction system, and are waterproof are all factors that will affect the consumers' perception of the product and their final purchase decision.

In summary, as more and more younger parents are becoming aware of the important of baby oral health, the market scale of baby electronic toothbrushes is expanding. This trend is further boosted by the increasing interest among consumers in products designed for health, safety and convenience. For brands that are currently in or are looking to enter the market, only by grasping the newest market trends and providing products that meet consumer needs will these brands be able to develop rapidly in this increasingly competitive subcategory.



The picture shows a U-shaped electric baby toothbrush that is suitable for babies over 2 years old..

Chinese Consumers in 2021

By Andrew Atkinson, from China Skinny

At China Skinny, we are constantly processing market insights to better position our clients for ever-shifting goalposts that define success in China. Here are a few things we have our eye on going into 2021.



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Learning From Singles' Day - Have Chinese Consumers Finally Hit Discount Fatigue?

Possibly the biggest surprise for some about Singles' Day in 2020 was that discounts weren't as big as usual, with many consumers drawn in by new product launches, special edition goods and gifts-with-purchase than buying cheap. For example, taking data from our Dairy Tracker, the average discount for the festival period for liquid milk on Tmall was 34% – lower than the average discount of 38% from January to October. Even more interesting, was that consumers weren't actually drawn to brands with the biggest discounts; milk with less discounting sold better. The average discount based on the value sold was just 16.1%, meaning that many brands over-discounted. The results were similar in our Beauty Tracker and other categories that we analysed.

We have also seen less noise around 12/12 discounting than we are usually used to. Could this be Chinese consumers fatiguing from the usual onslaught of discounts? We think it suggests that brands will need to start being more creative in the way they provide extra value to their shoppers during festival periods and might cause brands and retailers to revisit their promotional strategies going into 2021.

Combating the Nationalistic Ire of Chinese Consumers

Unfortunately, it looks like we can expect the overall trend of domestic brands taking foreign market share across the board to continue - accelerated by continued political tensions funneled down to China's notoriously fervent nationalistic consumers. Our Dairy Tracker saw that on Tmall (for the 1440 top selling products studied each month), Australian market share was 25.6% in December 2019, decreasing every month through 2020 to 12% in November.

Brands who have long rested on their laurels because of their countries of origin must step up their market development to ensure they have resonant brands and products in their own right. Our Consumer Sentiment Tracker has similarly seen a steady decline in the purchase intent broadly associated with foreign countries deemed anti-China for now. We urge brands to look to mitigate risks in their branding entering 2021.

Reaching a Newly Displaced Chinese Consumer

From 2015-2020, the number of Chinese living outside of their hometown grew by 8% in that time, to 265 million. From 2020-2025, this number is predicted to swell by 16% to 307 million and the numbers of those renting property are growing at similar rates. Increasing living costs, sophistication of cities deemed 'lower-tier', lowering birth rates (and aspiration for family) and diminishing opportunities for the youth of China's big centres means we should expect some significant changes on the horizon in the lifestyles of the average millennial and Gen Z consumer.

China is not traditionally known as a 'renting' culture, with 70% of millennials owning property vs. only 28% in Australia, for example. For one, it is essentially a marriage tradition to purchase a property before you tie the knot. So, this shift is going to be a significant one.

Brands should keep this in mind when they are looking at their development for 2021 and beyond - be it in product formats and sizing of food products, to furniture and homeware that fit a more transient lifestyle, to campaigns that make sense for this new consumer mindset.

The Export Opportunity

*By David Lloyd, General Manager
UK, Netherlands & Nordics at Alibaba Group.*

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The China Opportunity

Britain's 5.9¹ million small businesses have long been considered the foundation of our economy. As of October 2020, they employ 48% of the total British workforce and account for more than a third (36.3%²) of its private sector turnover.

The Covid-19 pandemic has created a tough economic climate for SMEs in the past year. We've seen 80%³ of them experience a drop in revenue, with two out of three⁴ small firms saying they expect trading to get worse still during the months ahead.

If we're going to reverse this trend, we must encourage and empower small businesses to look beyond the borders of the UK - and Europe - for growth.

Our latest research, conducted in October 2020 amongst small British businesses, reveals that only one in five small firms is considering exporting in the next year. More than a quarter of respondents are telling themselves they're 'too small to export', while a fifth think that there's 'no demand for their products outside Europe'.

When we look at China, the world's largest e-commerce market, we find that just 7% of small British businesses with plans to export say they will look to China as their next international market, compared to 23% who would consider Africa, 37% North America and 52% who have their sights set on Europe.

For small and growing businesses, whose leaders are already navigating the challenges of lockdown and the reduced income that comes with it, setting time aside to consider an export strategy can feel like an overwhelming task. From IP and regulatory concerns, to worries about cost and fulfilment, our research reveals a range of perceived barriers which are holding many small companies back from exploring international markets.

There is an incredible opportunity for international brands of all sizes to tap into a buoyant Chinese economy fueled by growing consumer demand that has already exceeded pre-pandemic levels. The 11.11 Global Shopping Festival in 2020 saw more than 1,300 British brands taking part, selling \$494 million dollars' worth of goods to Chinese consumers through Alibaba's platforms during the 11 days of the Festival. Yet the scale, cultural difference and the sheer distance from home mean that exporting to China can feel like an opportunity that is only there for the largest companies. We need to change this mindset.

Analysis of the UK's trade data for the first eight months of the year, conducted by the China Britain Business Council, shows that British goods exported to China rose by 10.7% compared with the same period in 2019, with exports to China up by £837 million year to date.

Demand for products from international brands - particularly from the UK, which was again one of the top ten markets for brands selling into China during 11.11 - remains strong. From luxury goods to health, beauty and nutrition, Chinese consumers continue to hold 'Brand Britain' in extremely high regard for its quality and heritage.

This reputation creates a unique opportunity for British brands to capitalise on. While it has been an extremely tough year for so many businesses across the country, I encourage small business owners to look past their preconceptions and consider the opportunities that export can bring. No business needs to feel as though it is too small to export, as technology is now levelling the playing field and giving businesses of all sizes equal opportunities. The UK has a fantastic retail and consumer market, but there's a whole world out there waiting for British small businesses to tap into - and now is the time to seize this opportunity.

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RCEP Brief: What does the world's largest trade deal mean for FIEs in China?

By Pierre Wong, Managing Director of
Integra Group Shanghai

Integra Group is a dynamic management accounting practice and consultancy with a mission to help SMEs in China. We believe accountants should do more than just be bean counters. Through us, businesses gain valuable insights into how their business is performing via cloud-based dashboards and regular business growth meetings.

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On November 15th, 15 countries in Asia and the Pacific have come together after 8 years of strenuous negotiation to sign the Regional Comprehensive Economic Partnership (RCEP). The 15 member countries account for about 30% of the world's population (2.2 billion people) and 30% of global GDP (\$26.2 trillion) as of 2020, making it the biggest trade bloc in history.

The RCEP includes the 10 ASEAN member countries of Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Brunei, Cambodia, Myanmar (Burma), Laos as well as China, Australia, New Zealand, Japan, and South Korea.

While China is party to 17 bilateral free trade agreements¹, this is the first multilateral regional trade agreement China has signed itself to and represents the first trade deal between China, Japan and South Korea - three of the four largest economies in Asia.

Notably missing from the RCEP is India, who withdrew from negotiations in 2019 due to concerns that the RCEP could be detrimental to domestic producers² as they compete against relatively cheaper goods coming in from other markets.

However, the signatories have expressed their strong will to re-engage India³ and understand the strategic importance of India eventually becoming a member and have provided India the right to accede into the agreement from the date of entry into force.

The primary goal of the RCEP is to broaden and deepen engagement amongst its member countries through a comprehensive, modern, high-quality, and mutually beneficial economic partnership. The new bilateral trade agreements build upon the many existing trade agreements in the region and formalizes new trade relationships between countries who had no prior free trade agreement in place.

The agreement signed on November 15th sets favorable new standards for harmonizing the rule of origin for goods qualifying for the reduced tariff rates but falls behind other FTA's in areas such as environmental protections, labor standards, and rules reining in state-owned enterprises.

The basic structure includes 20 chapters, including commitments in areas like trade in goods, trade in services, investment, intellectual property rights, e-commerce and dispute settlement – many of which are not included in other ASEAN + 1 trade agreements.

Once the agreement enters into effect, many of the policies will be progressively implemented according to the schedules set out by individual member countries – some taking up to 20 years until fully implemented.



Trade in Goods

This chapter includes granting national treatment to the goods of the other signatories, reduction or elimination of customs duties, duty-free temporary admission of goods, and provisions on export competition, including elimination of scheduled export subsidy entitlements for agricultural goods.

Tariffs on an estimated 90% of all goods will be eliminated incrementally over a 20-year period according to the Schedule of Tariff Commitments prepared individually by each country. Some tariffs will remain - such as some agricultural products and other sensitive products.

Rules of Origin (ROO)

This chapter unifies all member countries under a common rule of origin system. This means that a single Certificate of Origin can be used to trade across all 15 countries – therefore significantly reducing the number of rules to follow and paperwork required. This chapter also sets out the requirements for determining originating status of goods in order to enjoy the reduced tariffs under the agreement. Products will need just 40% of their value to be added within the region in order to take advantage of lower tariffs.

Customs Procedures and Trade Facilitation (CPTF)

The agreement aims to ensure predictability, consistency, and transparency in the application of customs regulations, and expeditious clearance of goods through customs.

For express consignment and perishable goods, the expectation is that goods will be released from customs control within 6 hours of arrival and submission of all necessary documentation. To the extent possible, the expected time period for the customs clearance of other goods is within 48 hours of arrival of goods and lodgment of necessary information.

Trade in Services

This chapter aims to open up avenues for greater services trade among the member countries through removal of restrictions and discriminatory measures affecting trade in services. The annex to trade in services provides a commitment to the opening up of financial services, telecommunication services, and professional service. Countries are allowed to adopt Non-confirming Measures for specific service sectors deemed as sensitive.

Member countries are to use a negative list approach – such as the one currently used in China – for the exclusion of service sectors and provide equal market access to service industries not included on the list.

Temporary Movement of Natural Persons

The RCEP endeavors to facilitate the movement of natural person engaged in trade in goods, the supply of services, or to conduct of investment between member countries. Member countries commit to providing timely processing of visa and immigration applications, transparency related to relevant immigration formalities, and to the extent permissible under local laws, convenience in applying for visas and temporary movement – includes spouses and dependents.

Investment

This chapter eases investment restrictions amongst RCEP countries through various provisions to facilitate foreign direct investment. This chapter also provides a built-in work program on investor-state dispute settlement provisions.

Members are permitted to adopt Non-confirming Measures using the negative list approach for industries restricted or off-limits to foreign direct investment.



Intellectual Property

Under the RCEP, protection and enforcement of intellectual property rights goes beyond the level of the WTO TRIPS Agreement, including technological protection measures (Electronic Rights Management Information) and enforcement in the digital environment. The agreement also provides provisions for greater protection of non-conventional trademarks based on sounds and signs acquiring their distinctiveness through their use (i.e. industrial designs).

E-Commerce

The agreement aims to create a conducive environment for cross border e-commerce through transparency of information between member countries, paperless trading, greater use of electronic authentication (e-signatures), and easing restrictions on cross-border location of computing facilities and cross-border transfer of information by electronic means.

What does the RCEP mean for foreign investors in China?

For foreign investors in China, the RCEP will bring substantial new investment and trade opportunities across the region. Producers in China will retain its low-cost advantage over countries such as Australia, New Zealand, Japan, and South Korea while benefiting from the lower tariffs, streamlined procedures, and greater market access.

Unlike many other member countries who have numerous existing trade agreements in place, the RCEP represents the first such trade agreement between China and Japan. Japan is China's second biggest trade partner after the United States and accounts for 6% of its exports and 8% of its imports. The tariff savings for Japanese imports across segments of transportation equipment, machinery & electrical equipment, chemicals, plastics & rubbers, and metals is estimated to be USD 7.3bn, according to an analysis by DBS.⁴

FTA's Amongst RCEP Member Countries						
	ASEAN	China	Japan	South Korea	Australia	New Zealand
ASEAN	N/A	✓	✓	✓	✓	✓
China	✓	N/A	✗	✓	✓	✓
Japan	✓	✗	N/A		✓	✗
South Korea	✓	✓		N/A	✓	✓
Australia	✓	✓	✓	✓	N/A	✓
New Zealand	✓	✓	✗	✓	✓	N/A
<div>✓ Existing FTA in place</div> <div> Negotiations on hold</div> <div>✗ No existing FTA in place</div>						

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Strategies such as the “China + 1” – which see multinationals place operations in China and another country – will also increase in viability due to the lower costs and streamlined customs procedures and unified ruled of origin. As the cost of doing business in China increases, businesses can increasingly make use of lower-cost ASEAN countries to augment their business process with less cost and complexity than before.

The RCEP is currently pending 6 ASEAN member countries and 3 non-ASEAN member countries to ratify the agreement. The agreement enters into effect 60 days after the 9th state ratifies the agreement. The remaining signatories will join the active agreement 60 days after their own documents are submitted.

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China International Import Expo 2020





China International Import Expo 2020

The 2020 China International Import Expo could not have taken place in a more potentially volatile time, with COVID-19 spreading globally and trade tensions bubbling over, once again China proved its determination for opening up to the outside world.

More than 2,400 foreign companies exhibited from an array of different industries, ranging between US Pharma giants and German car manufacturers, to some of Australia's most iconic wine and seafood brands, all with the intention of showcasing their product and expanding their businesses in the China market.

In 2020, nearly 80% of the world's top 500 companies, as well as industry leaders that participated in previous expos, returned to Shanghai for the exhibition, which truly highlights the event's commercial significance on a global scale.

In previous years, thousands of brand representatives flocked to Shanghai from all over the world to market and promote their products to potential Chinese partners. However, in 2020, there were mainly local representatives on-site, which was a reminder that even though in Shanghai tradeshow with tens of thousands of people could be held, the rest of the world remained under lockdown, oftentimes with intensive quarantine and travel restrictions.

There was strong commitment from a range of RedFern Digital brands to making the most of the CIIE opportunity. These included the likes of SunRice, Capilano, De Bortoli, Nutura, and Yumbah Aquaculture – check out some of the photos.

For many of the RedFern Digital team, it was a great opportunity for us to meet with our client's wider team and other in-market partners, as well as provide support where needed on-site.

A particularly impressive effort was seen by both Australia and the United Kingdom. Here is a snapshot of some of the countries' successes during CIIE:

Australia

- Over 180 Australian brands presented at the exhibition, which is a record high.
- The Victorian Government's 300sq/m stand in the Food & Agriculture hall was a site to behold and was host to 28 iconic Victorian F&B brands across dairy, wine and meat. The state had the largest representation at the exhibition, once again across multiple sectors.

United Kingdom

- More than 430 million GBP in deals were signed with Chinese companies during the expo, ranging between the importation of high-quality dairy products from northern Ireland to China, to e-commerce collaborations between major Chinese platforms and British Food & Drink brands
- The UK-China business matching platform that was developed ahead of CIIE generated over 120,000 unique visitors.

Each year, there is always inspiration to be gained and lessons to be learned about the China market at CIIE. We'll be back again in November!



The **RED** Edition

Issue 3

RedFern Digital is a China specific, full-service agency that helps brands navigate the digital ecosystem, increase their brand awareness and convert that awareness into sales. After 17 years in China, RedFern has grown alongside our clients, some of which are now among the most successful brands in-market.

Our team specializes in

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