

The **RED** Edition



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Message From the CEO

Dear Readers,

The last 18 months have seen huge changes here at RedFern Digital. With 4 additional offices opening across Asia, in this edition, we will be sharing intel that we've gathered across the entire region to provide insights into different markets.

The reality we have found is that the difficulties brands are facing is almost universal across Asia and many of the problems seen in China are relevant in other countries on a smaller scale.

The cannibalisation of offline channels, the emergence of social commerce, the instability of consumer loyalty, the increasingly difficult margin constraints that brands need to consider, just to name a few.

We are now in a new era of doing business, whether it be China, Vietnam, Thailand or Indonesia.

Some things still remain the same. Create a good brand, one that is in need and has a point of difference, or one that can compete on price and provide a solution that is a cheaper alternative for consumers. The latter is doing increasingly well in the current climate. As one of my colleagues said to me about the creation of a new beverage brand for Asia, "Just make it taste great. Drop the frills, taste is king. Then, build a brand to help communicate that promise."

However, the change has centred around the where and how brands are selling their products. D2C websites and apps are still not recommended, unless your website has such a unique or novel feature that it can be the draw compared to other website, while abandoning offline retail is not ideal either.

In order to increase sales, brands need to learn where consumers are now going and what they are doing with their time. It's true that online shopping is becoming a trend, however, they also go out to eat, exercise in different locations, visit art galleries or see shows, and attend parties. They seek connection and community, especially after COVID-19, and simply put, want to make friends.

But you can't meet consumers where they are without real commitment to the cause. Don't make pointless installations in popular locations without consideration for what the long-term impact would be, especially as this is something we see quite frequently from the cosmetics sector and can be described as OOH advertising without purpose. Instead, you need to focus on what message you are trying to send, and then create a space for your brand that is real.

Great examples of brands that have been able to understand this in Asia are Lululemon, Brompton and my personal favourite, Gentle Monster. I buy Gentle Monster; in fact, all my glasses (reading and sunnies) are from the brand.

Why do I purchase from them? Because I was introduced to the brand by someone I relate with and because I can also relate to the brand. I truly believe someone in their corporate structure cares about making great glasses. The installations that the brand has set up in Shanghai exemplify this, with artistic and unique designs that actually have very little sales shelf space. These installations have been so successful that they bring in influencers. Instead of paying Key Opinion Leaders (KOLs) to visit, KOLs will rent their spaces to post about the brand. And very interestingly, despite not having many flagship stores, Gentle Monster is in huge demand in nearly every country we operate in across Asia.

Nonetheless, you still need to sell online, you need to build your brand. These things won't change, and E-commerce will continue to increase its share of the retail market across Asia. Your brand needs to set up as many touchpoints with consumers as possible; your D2C app or website won't change the business, but it can aid it. What will change it is getting products to consumers, opening touchpoints, and creating hype. Loyalty can only be found through building a brand. But before that, brands need to bring in first time purchases; Don't spend a fortune on branding if you can't get products into consumers' hands. Sampling is more important than ever.

When it comes to social commerce, although it can be used to make an impact, it should not be the only focus of your brand because it remains short lived. Instead, you also need to focus on what will provide your brand with repeat sales, opening offline doors and building out your online presence across platforms. Social commerce can be considered a good starting point and an easier way to carve out market share for newcomers.

So, how can you build a long-term successful brand? Be the next Gentle Monster. Understand who you are talking to and emotionally connect with them. Be consistent and honest. But most importantly, be creative. Don't just tell consumers about your USPs, tell them what the catch is, the catch that will get me and other consumers to make that purchase, because we may just come back.

- Ryan Molloy, CEO

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Interview with Eduar Vallejo:

The China Market for Spanish Brands



*Master of Business Administration, Law, Political Science,
Labour Science, and a Graduate in Public Management.*

Eduar served as a Foreign Trade Analyst for the Government of Aragon. In 2008, he moved to China, where he has established several successful companies in the fields of international trade, E-commerce, and consulting services.

Additionally, Eduardo has contributed to academia, teaching for over a decade at the University of Zaragoza and Fudan University as a Professor of International Political Economy.

Currently, he is the **Commercial Director for Spain & Latin America at RedFern Digital**, where he is in charge of RedFern Digital Spain and all operations supporting Spanish brands coming to Asia.

Based in the Shanghai office, we caught up with Eduar to understand all that is new and changing in China and across Asia, especially in how it is relevant for Spanish brands wanting to enter the markets.

Could you please provide some background into your experience with the digital landscape in China and greater Asia?

Over 16 years ago, I began my journey in general trade in China, helping companies to establish their presence in the region while also facilitating investments from companies into Spain. Then, as the China market evolved, I moved into E-commerce and digital marketing. Currently, at RedFern Digital, we are specialized in building up brands through E-commerce and digital marketing, not only in China, but also across Southeast and greater Asia as well.

How would you describe the opportunity in China's market and digital landscape, and how it has developed over the years?

The digital world in China is much more developed compared to other countries. When I first started in China in 2009, the process for market entry was more traditional. You would try to sell through distributors, conveying to them the brand and product values, which they would use to sell the products. Then, in the mid 2010s, E-commerce became a trend that took over the market. Brands needed to adapt as the solution was no longer going to distributors, but instead to establishing a strong presence online. As a result, brands are now able to access a much larger potential customer base than through traditional routes.

With the shift towards online, many of the brands I worked with did not have the tools for or understanding on succeeding in market, and my role was to assist them, helping with the set-up for a number of companies across China and Hong Kong.

When it comes to opportunity, there is huge potential in the Spanish-speaking markets, both Spain and the Hispanic market. At RedFern, we help brands through their market entry journey, assisting with brand strategy, awareness building and campaign management and implementation, among other services. These services were something I found many Spanish companies lacking support in, and is where we can step in.

Could you expand on the digital and E-commerce landscape in China and how it compares to Spain, including discussions of the top platforms and high-level strategies to success?

In Spain, there are numerous E-commerce platforms like Temu, Etsy, and Miravia, but only a few are widely recognized, such as Amazon, eBay, and AliExpress. So, if you're selling in Spain, Amazon is the best option to reach a significant customer base.

Some vendors will buy products from AliExpress and resell them on Amazon at a higher price because consumers still prefer Amazon as the go-to e-commerce platform.

However, in China, each platform has different functions and characteristics that need to be taken into account. The champion in the China E-commerce landscape is Tmall, with other important platforms including JD, Douyin, and Pinduoduo. Although brands don't need to be across all of them, it is important to consider which platform is the most appropriate for your brand, not just for E-commerce but also for social media.

Social media in China is completely different, and brands looking to enter need to be across as many relevant ones as possible. It's not enough for a brand to just set up a store on the E-commerce platform. Resources also need to be invested into supporting sales through marketing campaigns that take place on other platforms as well.

One specific trend or type of commerce that doesn't exist outside of China, at least not in a form that is nearly as developed, is social commerce. Social commerce is the combination of entertainment and shopping, with the main example in China being Douyin. Although the international version, TikTok, has rolled out shopping functions in the UK and US, and will mostly likely implement it across Europe as well, China is already far ahead. In China, shopping on Douyin has been the norm for years.

You mentioned that in China, consumers tend to be more digital across a broader age demographic. Are there any other differences between Spanish consumers and Chinese consumers when it comes to purchasing behaviour?

One big difference is the influence of Key Opinion Leaders (KOLs), Key Opinion Consumers (KOCs), or influencers. In the Spanish market, influencers are not as much of a driving force for sales. Spanish consumers will mainly purchase from brands they know, whereas in China, KOLs and KOCs can help to determine consumer purchasing behaviour, especially when it comes to impulse purchases.

Why doesn't impulse purchasing exist in the same form in Spain? Because the platforms don't exist for it yet. In Spain, consumers will generally only go to E-commerce websites when they already have a product in mind and will go on TikTok for pure entertainment. When Spanish influencers are recommending products on social media platforms, they will often provide a link, which requires exiting the platform.

In China, shopping is much more related to entertainment, especially with platforms such as Douyin, Kuaishou and Tmall.

Consumers might go on these platforms for entertainment and without the intention of making a purchase, then see a video or livestream of an interesting product recommended by an influencer and decide to purchase. Consumers then do not need to exit the platform to make the purchase, as it is all integrated, and will be redirected to a store that already exists within the platform. They just need to trust in Douyin and trust that Douyin has already verified the shop and ensured authenticity.

In Spain, social commerce does not exist since social media is just focused on entertainment, and not on encouraging purchases. When influencers do recommend products, then the barriers to purchase are much higher, with several steps and additional trust required.

Are there any consumer demographics that are driving consumption of products in China compared to Spain?

In Spain, E-commerce is mainly limited to the younger generations and people who are more familiar with the internet. Middle aged consumers, such as those above the age of 40, still do not trust buying from online platforms.

In comparison, E-commerce in China is widespread, from ages 15 to 70, everyone buys online across a number of platforms. If you want to purchase food in China, you go to a takeout delivery platform. If you want to buy clothes, you go to a fashion platform.

However, age demographics in China also depend on the platform and product category. As I said, E-commerce in China is so widespread that you can just about reach all demographics through platforms such as Tmall, but there are also platforms that are more niche and targeted towards certain age or interest groups.

Have you seen any development trends that have been driving purchases in China over the past several years?

One obvious trend is the interest in health. Just a few years ago, Chinese consumers did not care as much about what was healthy.

Now, the rise in the health category, especially related to food and beverage products, has seen a jump. Examples include post-workout snacks, protein drinks, meal-replacement products or other health food related categories.

Chinese consumers also do still associate international brands with high quality, with many still having the impression that Chinese brands may not be as premium as certain brands in Europe, including Spain.

In China, we also had some issues over the years related to food quality and safety, which has reduced trust in domestic brands. There was a very famous problem with milk products several years ago, for example. So, milk formula is an example of a category where foreign brands are preferred.

You mentioned that Chinese consumers in certain categories are preferential towards foreign brands, however, there has been a trend in the rise of domestic brands as well. What are some suggestions for how Spanish brands can make themselves stand out?

At the beginning of my experience in China, 16 years ago, international brands thought they would sell immediately just because they are foreign. For example, I worked with a Spanish winery that thought entering China would be very easy because Chinese consumers would see that they are Spanish and have a good product. However, immediate sales for foreign brands doesn't happen unless you are already a truly well-known international brand, such as Nike or Adidas, Apple, Coca Cola, or Moët & Chandon, for example. For smaller brands, being French or Spanish is not enough. You need to build up a brand name in the China market, especially because Chinese consumers are driven by brand recognition.

So how can brands do this? As mentioned, you need to focus on E-commerce and on building trust across platforms. Having a presence on social platforms is necessary to get consumers engaged and aware of your brand.

The simplified steps to market entry are to first identify the category. Second, to identify the demographics for the brand in China, which may not be the same as abroad, and third, to develop appropriate campaigns. These campaigns should be implemented across the platforms relevant for your brand and for reaching your target audience.

In entering the China market, how should Spanish brands approach localization and adapting to the market?

Brands need to adapt to the Chinese market. This doesn't mean losing authenticity or changing completely, because the brand still needs to maintain its Spanish brand identity. However, brands need to appeal to Chinese preferences, even while keeping the essence of who they are.

Obviously, this is not an easy job, but it is one that RedFern has accomplished for a number of brands and has a lot of experience in. Some examples of adaptations could include changes to the product packaging, the size of the products, and the taste itself, among others.

We spoke about how foreign brands entering the China market should not expect to sell just on the idea that they are foreign. Are there any other misconceptions that Spanish brands entering China might initially have?

Many brands mistakenly believe that entering the Chinese market is easy due to its vast size, but this is far from the truth. Simply being a foreign brand does not guarantee success, and with fierce competition, succeeding in China requires significant investment—not just in terms of money, but also time and effort. This is why partnering with an experienced entity like RedFern is crucial for success in the country. Such a partner can handle much of the brand development and strategy, particularly in building brand awareness, saving both money and effort for the brand.

Another misconception is that the road to success in China is fast. Entering a new market takes time, so patience is key, and brands should focus on multi-year strategies, rather than expecting immediate success within a couple month.

There is also the misconception that Chinese consumers are unknowledgeable when it comes to brands and products. This is completely untrue. Chinese consumers are actually highly market educated and discerning when purchasing products, so brands need to provide a lot of information to drive sales.

We've spent most of the interview discussing China in particular, but now I'd like to briefly discuss the greater Asia region. Is there any opportunity for foreign brands when it comes to market entry into Asia?

Definitely. We have a strong presence in Vietnam, along with southeast Asia. The markets in Southeast Asia are very different compared to China, as they are more traditional and not yet as digitally developed. For example, consumers still have the habit of going to the local offline store, rather than just purchasing online.

With that said, there are huge opportunities in Southeast Asia for foreign brands, including Spanish brands. Although the Chinese market is larger, this also means the competition is much higher. Southeast Asia, on the other hand, has less competition because not too many foreign brands have entered already. This also means less investment required to build up the brand and stand out from the crowd.

Over the years, we've built a strong network here in southeast Asia, and for sure brands should consider not just China, but also greater Asia, because of the huge opportunities across the region



Growth in China Normalizes and Steadies for 2024

Examining the consumption growth figures from 2023 and the first half of 2024, China has experienced a moderate recovery that is likely to continue for the remainder of 2024 and beyond.

GDP Growth: In 2023, GDP growth reached 5.2%, with 83% of this increase attributed to a rise in consumption. China's GDP growth contributed 34% to the global GDP growth. In Q1 of 2024, year-over-year GDP growth advanced to 5.3%.

Inflation and Disposable Income: With inflation holding steady at 0.2% in 2023, Chinese consumers saw an average disposable income increase of 6%. Despite this increase, consumer sentiment remains low, with a tendency towards saving rather than spending. Savings in the country reached a record high of 31.7% in 2023, compared to 13.0% in the EU and 3.9% in the US.

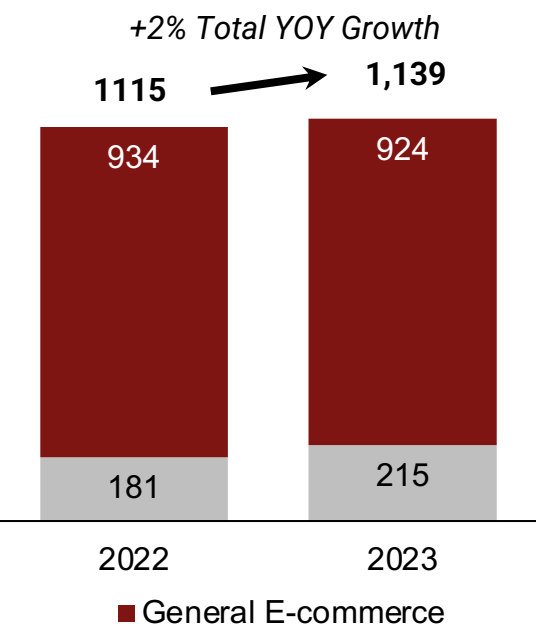
These figures indicate a shift towards a more steady and normalized growth pattern, moving away from the rapid, double-digit growth of the past. The emphasis on savings suggests a cautious consumer base, which will influence future consumption trends.

Double 11 Growth

China's Double 11 Festival, also known as Single's Day, concluded its 15th edition in November of 2023. Widely regarded as a barometer of consumer sentiment, this year's event showcased notable shifts in trends and highlighted the dominance of certain product categories.

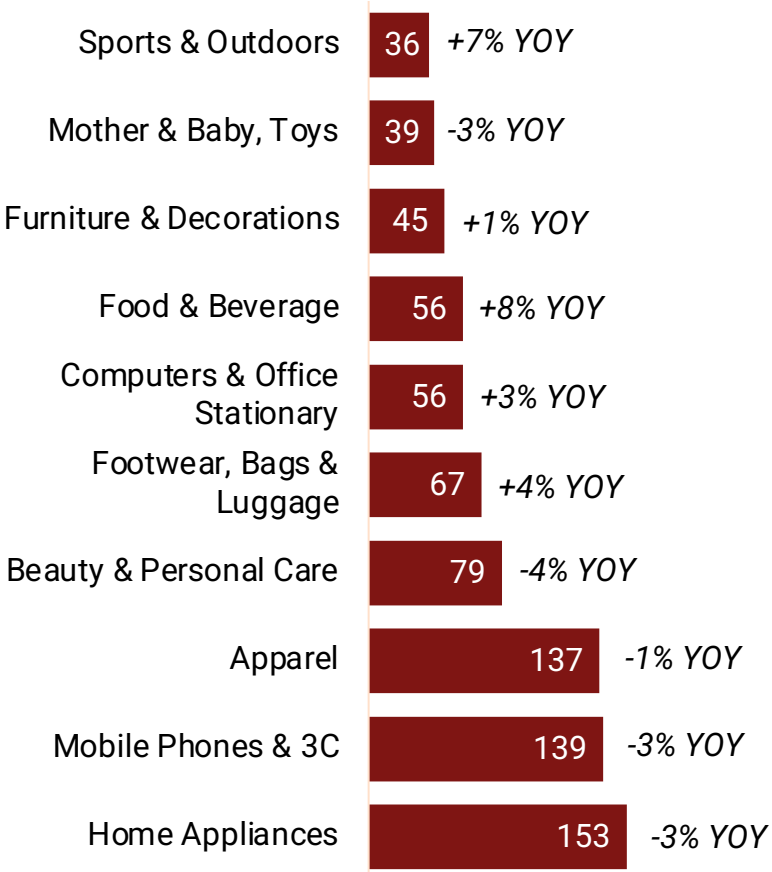
While several e-commerce platforms ceased reporting their Gross Merchandise Value (GMV) for Double 11 since the previous year, Syntun stepped in with their own calculations, revealing a staggering total GMV of 923.5 billion RMB across traditional e-commerce platforms. Topping the charts were Tmall, JD, and Pinduoduo in terms of GMV. Livestreaming also played a significant role, with Syntun estimating a GMV of 215.1 billion RMB, led by Douyin, followed closely by Kuaishou and Taobao Live. The combined GMV across major platforms, both traditional and livestreaming, reached 1,138.6 billion RMB, demonstrating a year-on-year growth of 2.08%..

GMV Growth During Double 11
(in billion RMB)



Source: McKinsey & Company

GMV of Top 10 Categories During Double 11 (in billion RMB)



In determining future trends through looking at Double 11, we can see that the growth rate of 2.08% was largely driven by discounts and promotions, especially as the average selling price of products from major brands have declined compared to 2022. Additionally, category growths were largely in line with the growth throughout the rest of the year, including categories such as food & beverage and sports & outdoors.

Livestreaming has also continued to show its prevalence in-market, surging with a YOY growth of about 19%, while traditional e-commerce saw a slight decline in YOY growth, at -1%. The top livestreaming channels are increasingly belonging to brands, rather than KOLs. As an example, among the top 58 Tmall/Taobao livestreaming channels with over 100 million RMB in GMV, over 60% were brand-run.

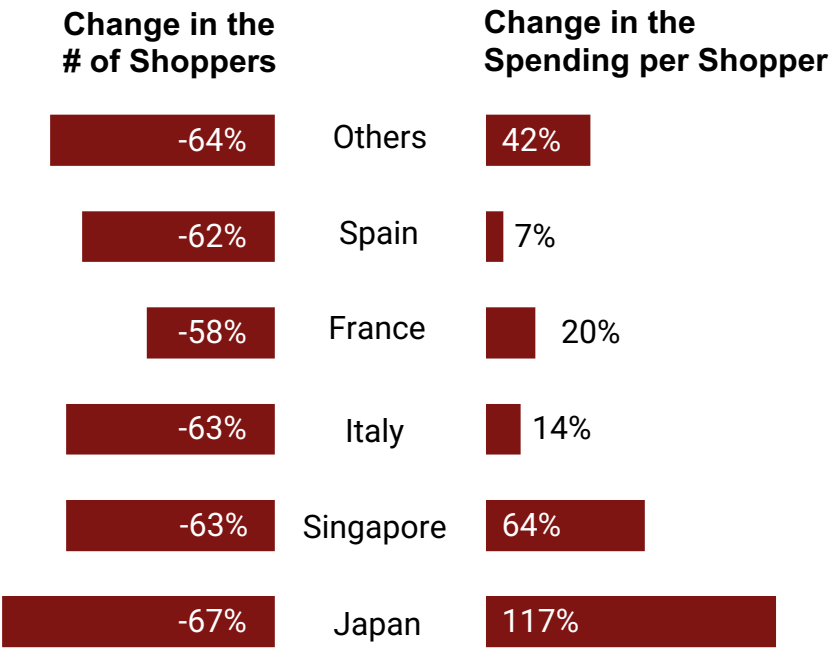
Kicking Off 2024

Figures from the first two months of 2024 look positive, with retail sales growing at a healthy YOY rate of 5.5% and a rise of 12.5% in foodservice sales. This indicates both the resumption of interest in consumption and in the hospitality sector.

Additional sectors that saw growth include air travel, at 44.4%, which shows the renewed interest in travel this year, both for tourism and for business. In fact, travel has recovered and grown to exceed pre-COVID-19 times, with the first two months of 2024 seeing a 16% increase in Chinese travellers compared to January and February in 2019. This increase is largely due to a jump in domestic travel, especially during the Chinese New Year period, whereas international travel is recovering more gradually.

Although travel is recovering at a steady pace, the total number of Chinese shoppers in overseas countries remains significantly lower in 2023 compared to 2019. Nonetheless, spending per person has grown. As an example, Chinese visitors to countries such as Italy, France, and Singapore have increased their spending per person in 2023 by 14%, 20%, and 64% per person compared to 2019, while travellers to Singapore have increased spending by 117% compared to 2019. The accumulated wealth during the COVID-19 years has renewed interest in luxury products, with Chinese consumer's more willing to spend on unique and high-end products and experiences when traveling abroad. It must be noted that this trend towards luxury may be because the new wave of Chinese travellers tends to be wealthier and have more disposable income to spend, resulting in higher spending per person.

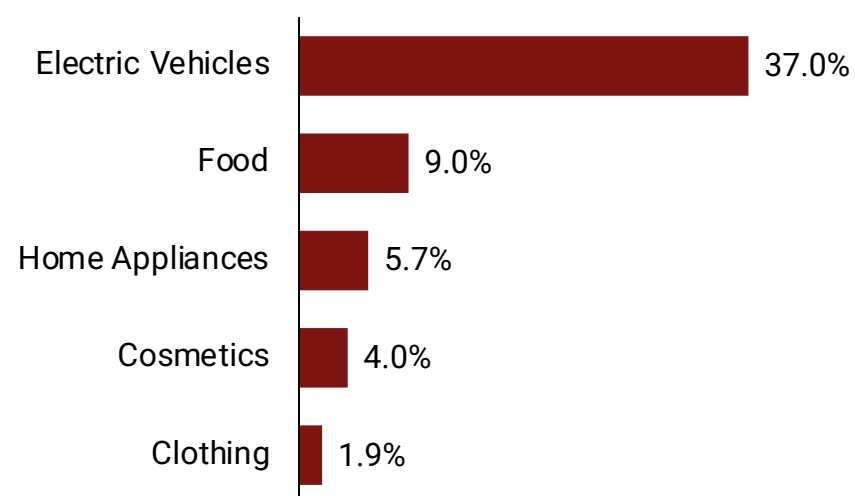
Changes in Tax-free Spending by Chinese Travellers (2019 vs. 2023)



Source: McKinsey & Company

Other major categories such as the food and cosmetics sectors saw YOY growths of 9% and 4%, respectively, while apparel and home appliances saw YOY growths of 1.9% and 5.7%.

**Retail Sales by Category from
Jan to Feb in 2024
(% YOY Growth compared to 2023)**



Source: McKinsey & Company

The data figures discussed in this article indicate a positive trend for the remainder of 2024, especially with the massive savings that have been accumulated. As confidence returns, Chinese consumers will also become interested in spending again, even as China continues to shift towards a more consumption-based economy. However, Chinese consumers will likely be much more discerning about what products they are purchasing and more carefully consider the cost effectiveness of these products. This means that brands need to also target their audience with more consideration, ensuring that they tap into shifts in consumer preferences that will appeal to consumers.



Taiwanese Consumers:

*Who are they
and how can
brands
reach them?*

Taiwan stands out amongst other countries in Asia with its unique approach that sets it apart from both mainland China and the broader Asian market. With a population of 24 million and a gender split ratio of 97.35 men to 100 women, despite its geographical proximity and cultural similarities to mainland China, Taiwanese consumers have their own demographic breakdown, digital landscape, and consumer behaviours.

Key Demographic Trend: The Silver Generation

In terms of age demographics, Taiwan became an aged population back in 2018, with over 14% of the population above 65 years old. By 2025, Taiwan is predicted to become a super-aged society, with over 20% of the population above 65. Currently, the region has a median age of 42.5 years old.

This older population in Taiwan has significantly impacted its retail market and the strategies of foreign brands entering into the region. The growing population of senior citizens has shifted consumer demand towards products and services tailored to their needs, such as healthcare, wellness, convenience goods, and elder-friendly home appliances. Additionally, the older generations tend to be more concerned with trust, quality, ease of use, and reliability, rather than novelty, which brands need to take into account with their marketing strategies.

Key Demographic Trend: The Singles Economy

Another significant demographic trend in Taiwan is the rise of single households, currently numbered at 3 million and making up 34% of households in the region. This is a YOY increase of 2.9%. Among these single households, the percentage aged between 30 to 39 years old has risen from 45% to 54%. One significant impact of the increase in singles is a preference for smaller packaging sizes, especially for fresh produce or other products within the food and beverage category. Examples include single-portioned groceries, convenience and ready-made meals, and snacks.

The single portion meals also extend to at-home cooking, where one-person appliances becoming trendy, such as smaller sized plug-in hot pots, mini ovens, etc. Similarly, for restaurant dining, single-person seating areas have become more common, even for meals that were traditionally shared by a group, such as hot pot.

Beyond food-related categories, the single economy has also impacted the pet industry. With less people having children, there has been an uprise in the number of pets being raised, such as cats and dogs, increasing to about one in five households. Not having the expenses associated with children, singles are then able to spend more on their pets, whom they often consider beloved members of their family.



The singles economy has meant that fewer products are purchased per person due to a lower rate of consumption when compared to a multiple-person household. However, singles are willing to spend more per product, encouraging premiumization and an increased consideration of cost compared to value. Across all the categories discussed, the singles economy is worth over NT\$500 billion a year in Taiwan, with key priorities including convenience and autonomy,

Digital Behaviour Among Taiwanese Consumers

Taiwanese consumers use a similar suite of social media and E-commerce platforms compared to countries in Southeast Asia, rather than mainland China.

Taiwan has a 90.7% penetration rate of internet usage, along with an 80.2% penetration rate of social media. Among the most popular platforms in Taiwan are Line (90.9%), Facebook (85.1%) and Instagram (68.1%).

Although TikTok is popular in Taiwan, used by about a quarter of the population, due to political tension between Taiwan and mainland China, the platform has not taken off as much as it has in other regions of Southeast Asia.

TikTok is banned from official devices belonging to government employees, along with other Chinese apps such as Douyin and Xiaohongshu. However, none of these platforms are banned entirely, which means that TikTok still has merit for marketing in Taiwan, depending on category and target audience.

This is especially true as TikTok is the top platform when it comes to average time spent per month among users, at 23H 54M. The other platforms among the top 5 include YouTube, Facebook, Line, and Instagram, where users spent an average of 23H 12M, 20H 2 M, 19H 19M, and 12H 97M per month, respectively, in 2023.

Looking at these social platforms, brands must also consider the effectiveness of paid media and ad promotions, which has been declining among Taiwanese consumers. In fact, fewer users are clicking directly on ads in 2024, instead preferring to conduct more research and learn about the brand and products prior to purchase. The information gathering on brands can occur through visiting websites, social media channels, and forum discussions.

This shift in behaviour has increased the need for methods of marketing such as content marketing, search engine optimization, influencer marketing, and word of mouth marketing.

With that said, paid media ads through social channels and Google remain crucial for raising awareness and creating touchpoints with brands. On average, a Taiwanese customer needs 7-12 touchpoints prior to making a purchasing decision, with the number of touchpoints required increasing as the price of the product increases.

Another important note is that Taiwanese consumers will often search for negative reviews to understand poor experiences that others may have had with brands and products. Therefore, brands need to ensure that they are carefully tracking and managing their negative reviews. By offering strong before and after-sales support, brands can either avoid negative reviews entirely or immediately reach out to resolve issues when a negative review is posted.

For making the purchase itself, similar to other regions in Asia, Taiwanese consumers turned to online shopping during the pandemic, which has had a significant impact on long term E-commerce expansion.

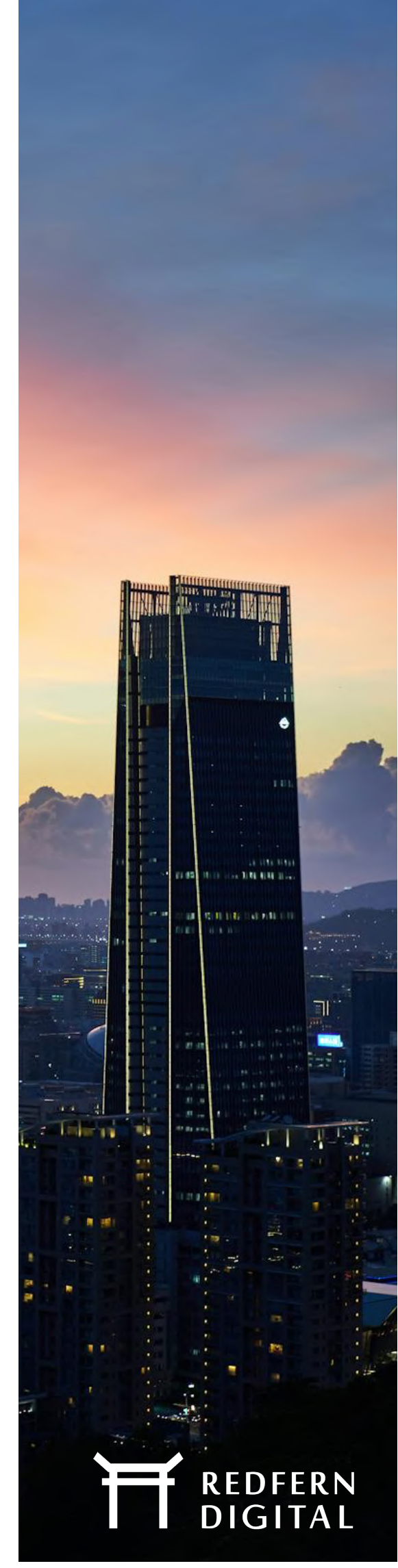
In fact, the Taiwanese E-commerce market is estimated to reach USD48.1 billion in 2024, which is a YOY growth rate of 7.8%. When surveyed, 94% of consumers stated that they had shopped online in the last 6 months, with 60.3% of internet users having purchased a product or service online each week.

Understanding and effectively engaging Taiwanese consumers requires a nuanced approach that acknowledges both their similarities to other countries in Southeast Asia and to mainland China, along with their differences as it relates to demographic trends, digital behaviour, and consumer preferences.

Brands aiming to capture this market must cater to the unique needs of Taiwan's aging population by prioritizing trust, quality, and user-friendly products. Simultaneously, the rising singles economy demands a focus on convenience, autonomy, and premiumization.

In the digital realm, a strong presence on popular social media platforms, combined with strategies that go beyond traditional paid media, will be crucial. Given the high rate of internet and social media penetration, brands must create multiple touchpoints and manage their online reputation meticulously to build trust and drive purchase decisions.

By aligning their strategies with these insights, brands can successfully navigate the dynamic and diverse landscape of Taiwanese consumer behaviour.



The Evolution of Shopping Holidays in China

The landscape of shopping festivals in China has undergone a remarkable transformation over the years. What once started as single-day events blossomed into month-long celebrations, marked by pre-heats, extravagant galas, and a crescendo of discounts and promotions. However, in recent years, a quieter revolution is underway, with the shopping holidays now shifting towards more lowkey events that focus on conscientious consumption. Especially in the past year, consumers have become more rational in their purchases, leading to an increase in attention towards cost efficiency and high value at low prices.

Despite the continued year-on-year growth of these festivals, there are signs of a slowdown, with e-commerce platforms scaling back on reporting Gross Merchandise Value (GMV) for major events like 6.18 and Double 11 since 2022. This deceleration underscores the need for brands to adapt their strategies to navigate an increasingly competitive and saturated market.

Where does this leave brands and the place of shopping holidays in China?

While shopping holidays remain a cornerstone of Chinese E-commerce, brands must adopt a more strategic approach to their participation. Content and entertainment have emerged as essential tools of product promotion, with short videos and livestreaming gaining prominence. During last year's Double 11 festival, livestreaming alone contributed an estimated GMV of 215.1 billion RMB, which was a YOY growth rate of 20%, while views of short videos on Taobao surged by 113% during last year's 6.18 festival.

Although in the past, participation in 6.18 and Double 11 were givens for all brands, nowadays, careful consideration is required due to heightened competition and diminishing profit margins. Collaborating with Key Opinion Leaders (KOLs) and livestreamers during these peak periods often requires premium fees, while consumers expect steep discounts, squeezing margins.



An alternative approach that is gaining traction among brands is to host their own live broadcasts, offering greater control over messaging and content. By circumventing established livestreamers, brands can tailor their broadcasts to align with their unique brand identity. However, starting off with brand livestreams during the major shopping holidays may not be the best strategy for smaller brands. The lack of brand recognition will lead to the risk of being overshadowed by larger competitors, ending in low viewership and lack of sales.

Instead, newer brands to market may consider starting off their shopping holiday journey by participating in shopping holidays such as 9.9 or 12.12, where they can make a splash without the intense scrutiny of 6.18 or Double 11. Alternatively, brands may also choose to participate in other holidays such as Qixi (Chinese Valentine's Day) and International Women's Day. These holidays allow for more theme-focused campaigns and increased opportunities for emotional storytelling that may resonate with Chinese consumers.

Even when not participating, shopping holidays can be used by brands as a barometer of consumer sentiment, allowing brands to understand emerging product trends and consumer behaviour patterns. Data provided through these holidays can be used to shape brand strategies for the remainder of the year.

6.18 in 2024

With promotions having begun on May 20th and lasting until June 20th, the 6.18 Shopping Festival this year is already off to an impressive start. In preparation for the event, Alibaba made several major changes. The company provided the Taobao platform with its largest update in several years, simplifying the sales experience for customers and allowing merchants to design their stores more easily.

Moreover, Taobao and Tmall removed the pre-sales model, which had previously allowed users to place deposits prior to the start of campaigns to guarantee product availability in the case of the product selling out. The cancellation of this model comes as an attempt to increase competitiveness against other platforms and prevent consumers from switching to other platforms during the pre-sales period.

These changes were made with the intention of improving the user experience, encouraging prolonged browsing of the platform.

Within the first four hours of the 6.18 event kick-off this year on May 20th, the RMB100 million GMV target was already reached by over 59 brands on Taobao and Tmall, while 376 individual products reached over RMB10 million in GMV each.

Even as we wait for the no doubt impressive total sales figures from this year's 6.18 festival to come in, over the last two years it has become apparent that consumers are less inclined to do a large percentage of their shopping during major shopping festivals. Instead, they look for discounts year-round. This has led to less focus on the likes of 6.18 and 11.11 and could be perceived as a slowdown. However, at RedFern Digital, we see this more as a normalization. As the retail market steadies and consumers are less driven by hype around major events, brands should focus on increasing recognition and awareness, steadily growing a loyal base of customers year-round. Content driven engagement, loyalty programs, and unique campaigns or brand collaborations throughout the year can help with increasing brand value, while shopping holidays can be treated as add-ons.

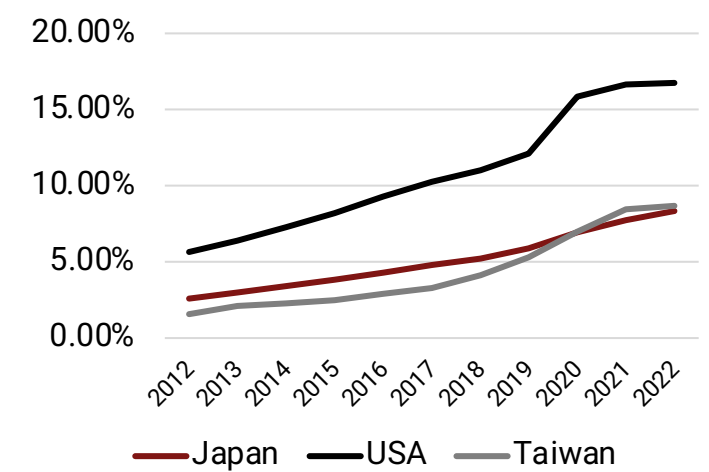
A Look at Japan: What is the Current State Of E-commerce?

Growth of Online & Offline Retail in Japan



Source: OOSGA

Market Share of E-commerce Sales as % of Total Retail

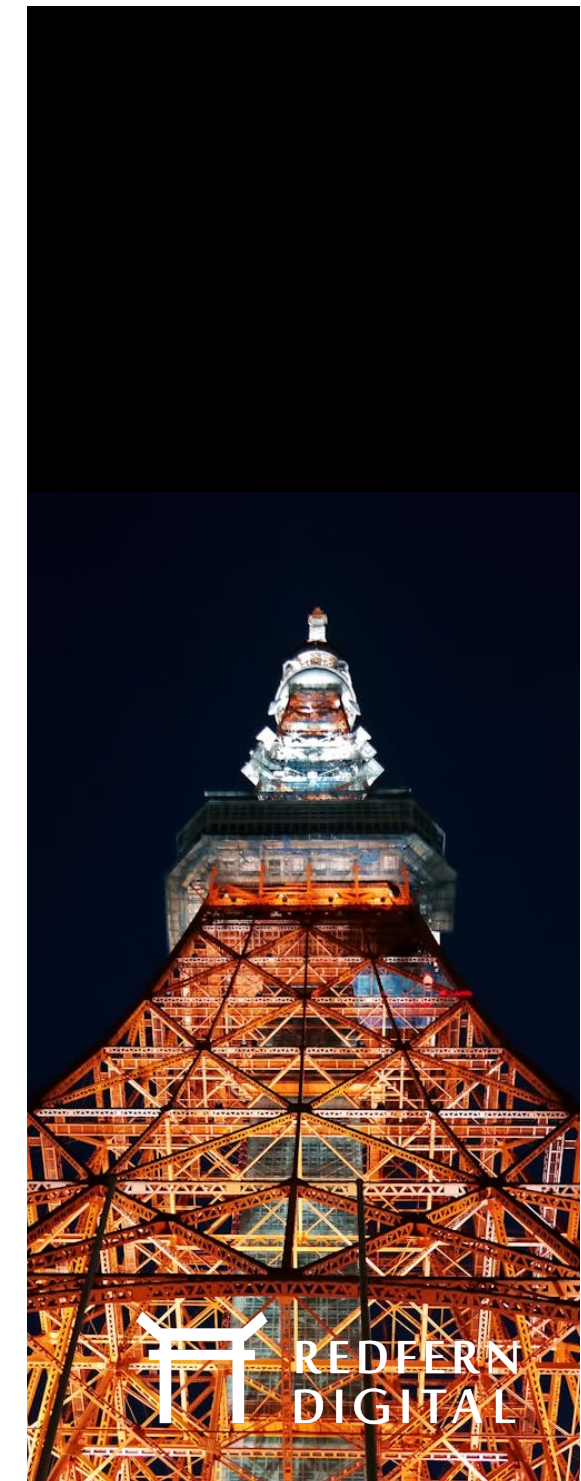



Japan has seen a rapid expansion in E-commerce over the past several years, both because of COVID-19 forcing consumers to remain indoors, and because of the widespread use of smartphones. With over 120 million people and as the fourth largest E-commerce market in the world by sales, Japan sees huge opportunity when it comes continued growth, and is estimated to have reached an E-commerce sales value of USD193.42 billion in 2023. Although B2B transactions still represent the largest segment within E-commerce in the country, B2C is experiencing steady growth through the online sales of leisure and household products and electronics. The sales of consumer goods was estimated at around USD97 billion in 2022, making up about 8.3% of total retail sales in Japan.

Top 10 Countries by E-commerce Sales (2023)

China	3,023.66
US	1,163.49
UK	195.97
Japan	193.42
South Korea	147.43
India	118.9
Germany	97.32
Indonesia	97.14
Canada	82.81
France	79.36

Source: eMarketer





When it comes to the top three players in the Japanese marketplace, these include Amazon, Rakuten Ichiba, and Yahoo Shopping!.

amazon.co.jp

Amazon Japan

- Estimated monthly visitors (2023): 601.7 million
- GMV (2022): 6,793.7 billion Japanese Yen

Amazon Japan is one of the largest E-commerce platforms in the country when it comes to total sales volume and traffic. The platform has similar functions compared to its counterparts for other regions of the world, making it a familiar option for brands that may already be selling on Amazon in other countries. With a similar onboarding process, Amazon is among the top choices for new brands to enter Japan's E-commerce market.

Moreover, the platform allows for built-in promotional tools to increase traffic to products, such as Amazon Sponsored Products (ASP), and a reliable logistics solution that includes customer services support, called Fulfilment by Amazon (FBA).

However, a downside of the platform is that Amazon has heavy internal competition, with the platform focused on products rather than brands. Due to the layout and design of the platform, brands may find it difficult to stand out, especially with products listed alongside competitors. As a result, there is significant pressure to frequently offer discounts or promotions to compete.

With that said, for most foreign brands wanting to enter the Japanese E-commerce market, Amazon Japan remains the primary recommendation. Benefits of this platform include familiarity, platform reach, and solutions offered for both in-country warehousing and cross-border logistics.

Rakuten

Rakuten Ichiba

- Estimated monthly visitors (2023): 507.7 million
- GMV (2022): 5,630.1 billion Japanese yen

Rakuten Ichiba, another of the largest E-commerce platforms in Japan, is a branch of the local company Rakuten, which has other branches extending into a range of different services such as banking, insurance, and payment.

In contrast to Amazon, Rakuten Ichiba offers users more of a virtual shopping mall experience, where the platform hosts 'brand stores' that customers can browse. Brands need to design and develop their own digital storefronts, providing product details for the product pages, along with brand creative assets and visuals for the store itself. As a result, stores on Rakuten Ichiba tend to be more customizable compared to Amazon.

Additionally, the platform also offers logistics solutions that include warehousing within the country and cross-border shipping.

A downside of the storefronts model is that it may rely on brand recognition to draw in traffic, leading to larger and more familiar brands getting chosen over newer and smaller brands.

YAHOO! JAPAN ショッピング

Yahoo! Shopping

- Estimated monthly visitors (2023): 105.4 million
- GMV (2022): 1,754.7 billion Japanese yen

Yahoo! Shopping is the E-commerce branch of Yahoo! Japan and is operated as a separate entity from the US company. The platform is among the top three when it comes to the E-commerce landscape in Japan and has a well-known C2C branch called Yahoo! Auction.

The platform functions more similarly to Rakuten compared to Amazon, as it is more store-oriented, allowing brands to set up their own digital storefronts.

Searches can be redirected to the platform through the Yahoo! Search engine, which is a plus as the platform remains strong in the Japan market despite its diminishing relevance abroad.

Outside of these top three E-commerce platforms, Japan also has several more niche platforms that cater to specific categories, such as Zozotown, Wowma, Mercari, and Qoo10.

What about the Japanese Consumer?

As with any other market, prior to E-commerce market entry, brands need to understand the consumers and their online behaviours.

Key Stats

- The population of the country currently sits at about 125 million people
- Japan has one of the oldest populations in the world, with the median age of 49.1 in 2023, and over a third of the population older than 65. Despite being older, this population remains active, both offline and online. Almost 50% of Japanese aged 65-69 years old are still working.
- The country has a rising percentage of one-person households, which currently makes up 35% of all households in Japan.
- Japan is both highly urbanized (92% of the population can be considered urban, while one third lives in Tokyo) and has a high level of education, with almost universal secondary education.

Despite its aging population, Japan has a highly tech savvy consumer base with robust purchasing power. In fact, consumer spending in Japan makes up 60% of its economy. However, entering the Japanese market also holds distinct challenges, ranging from navigating cultural nuances to contending with competition. Brands need to navigate their market entry process carefully and ensure marketing efforts are strategic and well-planned.

When introducing foreign brands to Japan, it is important to note that foreign does not always mean better for Japanese consumers and they also tend to be more risk averse compared to their Western counterparts. These factors mean that Japanese customers may oftentimes choose to spend more on well-known domestic brands with quality assurances rather than try unknown foreign ones.

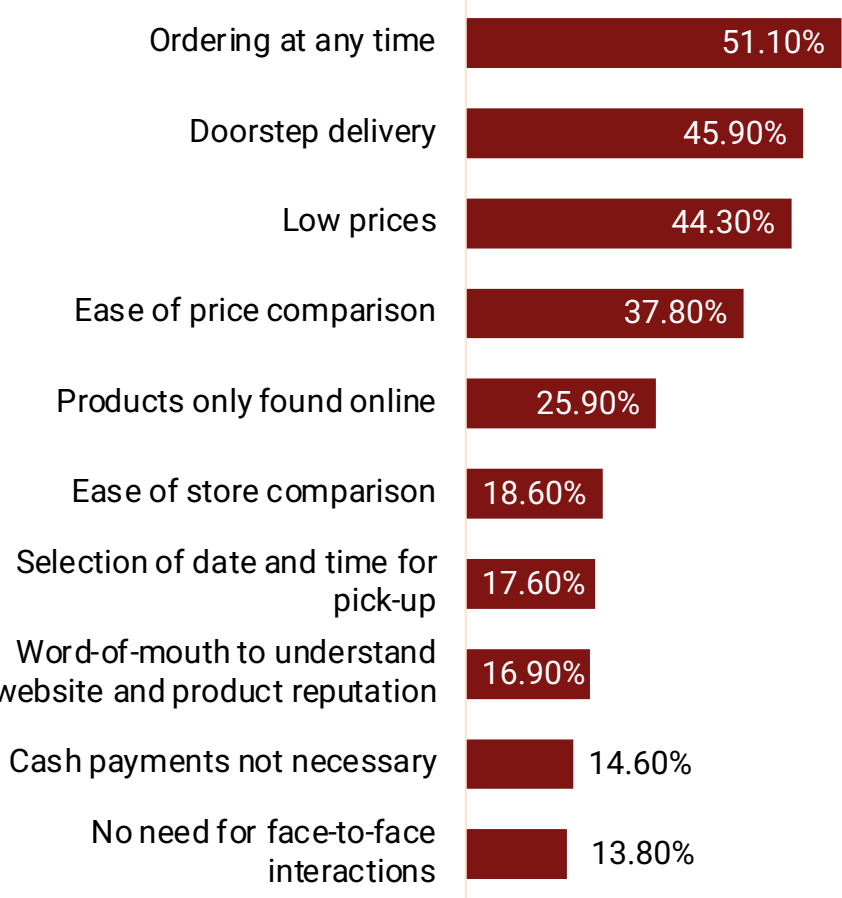
Japanese society is steeped in tradition, shaping distinct norms that deeply influence consumer behaviour. Although customer service is required worldwide, Japan takes it to a different level with the concept of Omotenashi. This idea relates to hospitality, focused specifically on anticipating the needs of customers in a manner that shows genuine care and prioritizing customers over profit.

Additionally, when advertising in Japan, brands should localise to cultural norms, such as through emphasizing harmony, modesty, and collective values. Implicit messaging, emotional storytelling, and metaphors often resonate with Japanese consumers, whereas direct or assertive approaches may feel off-putting. Japanese consumers have high standards for aesthetics, with preferences for colour, design and layout that may differ from other countries. It is important to have a clear understanding of preferences when developing content and creative assets for the Japanese market, whether it is marketing content or web design.

What are the top reasons that Japanese consumers purchase online in 2024?

As seen in the chart, convenience and pricing are two of the major reasons that Japanese consumers shop online, emphasizing the importance of creating an efficient and easy to navigate shopping experience, along with offering promotions to encourage purchases.

Top 10 Reasons for Japanese Consumers to Purchase Online in 2024
(% of Respondents)

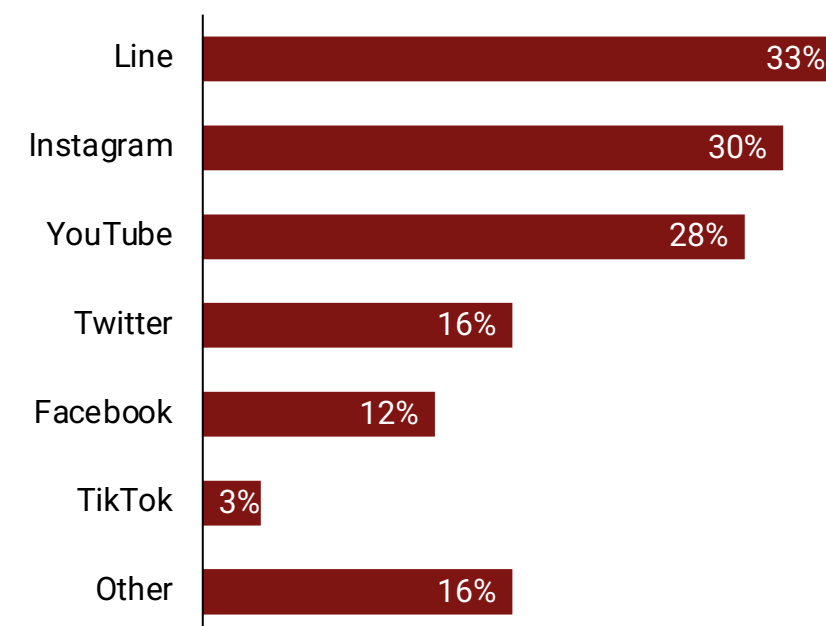


Source: Statista

Social Commerce as a Growing Trend

Social commerce, the combination of social media and online shopping, has become an expanding concept worldwide, and Japan is no exception. The social commerce industry in Japan is growing rapidly and is estimated to expand from USD15.11 billion in 2023 to USD16.63 billion in 2024, a YOY growth rate of 10.1%. This expansion is expected to continue by a CAGR of 8.2% from 2024 to 2029, reaching USD24.63 billion by the end of the forecast period.

Top Social Media Platforms for Online Purchases in Japan in 2023 (% of Respondents who Purchased from the Platform)



Source: Rakuten Insights

Among the most popular social commerce platforms are Line, Instagram, and YouTube, which have become drivers of online purchases. Users can go on these platforms to search for product recommendations and reviews, along with following the accounts of their brands for the latest product launches and promotions. Brands can focus on creating a seamless shopping experience through combining the social media channels with the online sales channels, ensuring direct linkage and an easy navigation to sales.

Influencer marketing has been gaining prominence in Japan and is estimated to reach an annual spend of 88.4 billion Japanese yen in 2024, a year-on-year growth rate of 19%. Japanese consumers tend to distrust institutions and organizations; therefore, influencers are able to add a local voice and appeal to their already built-in following, helping the brand better approach Japanese consumers. The focus with influencers is on engagement, authenticity, and experience, with Japanese customers trusting the influencer to provide honest feedback on the brand.

The Japanese e-commerce landscape presents a dynamic and nuanced market shaped by the unique preferences and behaviours of its consumers. With a tech-savvy population, Japanese consumers have embraced online shopping as a convenient and efficient way to access a wide range of products. Moreover, the integration of social commerce platforms and influencer marketing strategies has further transformed the digital shopping experience, allowing brands to engage with consumers in more personalized and interactive ways. As e-commerce continues to evolve, understanding the intricacies of the Japanese market and catering to the preferences of its consumers will be crucial for businesses seeking success and continued expansion.

The **RED** Edition

RedFern Digital is an award-winning independent brand management agency that develops, manages, and distributes brands across Asia. RedFern Digital is responsible for the strategic direction, growth, and performance of some of the largest and most successful brands across a dynamic range of categories in the market.

We don't help brands; we make them have **IMPACT**. Having impact means beating the market and your competitors at everything you do. Our insights, experience and kick-ass team mean that your brand is not only in safe hands but is about to thrive.

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- Consumer Research & Data
- Creative Design, Branding & Production
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