



# CHINA: The rise of social commerce

Social media in China goes beyond chasing 'likes' and followers – it is a platform for sales to be made, product knowledge to be shared and for a truly seamless omnichannel experience to take place.

By Dimitri Sotiropoulos

A lot has been said about social media as a viable commerce channel, and it is certainly on the agenda of major Australian retailers seeking to tap into the market of younger, tech-savvy consumers.

However, many CEOs are still trying to work out how to actually turn social engagement into sales. After all, it could be argued that digital platforms are being used solely for brand awareness and to push out content in the hope that fickle consumers will engage or be inspired by what is being offered. The use of chatbots is also being explored by brands for customer service and to potentially clinch sales.

But perhaps for the best glimpse into how social media may be used as another commerce channel, we need to look at China, where the market's use of digital platforms is so advanced it is already identified by major Chinese retailers as social commerce, not e-commerce.

## **WeChat – to shop is to share**

Those who champion the benefits of omnichannel retail – and there are many – should consider social media platform, WeChat. Developed by investment firm Tencent in 2011, the app has about 938 million active users around the world.

That's a startling figure, and it is a popular platform, but the interesting part is this: a shopper does not need to leave the application, because it offers anything and everything at the tap of a button.

"You can use it for messaging friends, posting moments, paying bills, browsing products, buying or ordering products, calling a taxi, contacting an electrician and so on," says business intelligence associate Zolzaya Erdenebileg of pan-Asian services firm Dezan Shira & Associates.

"All the needs of everyday life are compacted into this app, so you almost never need to close it," he tells *Inside Retail*.

Sylvia Wei, deputy managing director of Australia for Chinese e-commerce specialist Azoya, tells *Inside Retail* that Chinese consumers heavily rely on product recommendations and reviews.

Consequently, they are hooked on what their peers and online influencers say on social media, particularly WeChat and microblogging site Sena Weibo.

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service and share product information among friends – it all makes the shopping journey easier,” says Wei.

Weibo has 313 million active users, including key online influencers (KOLs) – experts, celebrities, professional bloggers and others who bond the social media platform's vast communities of consumers who share interests, lifestyles and shopping behaviours.

“It lures in Chinese consumers to follow, share product reviews within the virtual group and make the shopping experience more joyful,” says Wei.

To shop is to share. In fact, the owner of China's largest online marketplaces, the Alibaba Group, insists it is no longer in the e-commerce business but in the social commerce game.

Instead of looking for user-generated product recommendations and ratings by online communities through its mobile Taobao platform, it encourages shoppers to share photos of their latest online purchases – and adds monetary incentives to encourage greater social participation. The app, which offers access to Alibaba shopping sites Juhuasuan, Taobao Marketplace and Tmall.com, generates up to 20 million product reviews every day, and involves five million users sharing content with friends.

To drive greater customer

engagement, Taobao has been developing social commerce features within the app, including the hosting of special interest groups called *quanzi* (“circles”), where like-minded individuals can talk about their hobbies and favourite products.

Taobao says it now hosts more than 1000 circles covering interests as diverse as wedding planning and fishing. One of the most popular social offerings on Mobile Taobao is a Q&A feature called *Wendajia* (“ask others”) that lets shoppers ask other members questions about products. Every day, *Wendajia* receives as many as one million questions, and two million consumers participate in answering.

#### So who is in the social commerce game?

According to Wei, luxury brands such as Coach, Dior and Tommy Hilfiger prefer setting up their own shops on WeChat rather than marketplaces, where there are fears of counterfeit products. WeChat also offers an easy buying experience – shoppers don't need to leave the app and make purchases with just one click.

Retailers are also attracted to WeChat's tech support, customised marketing campaigns and CRM systems, provided through the platform.

Samsonite Asia aims to make China its biggest market within five years, pinning its hopes on e-commerce and social media to fuel growth. While sales in China now account for more than 10 per cent of its total revenue, Samsonite Asia CEO Ramesh Tainwala says these are likely to double by 2022, thanks to the explosion in online shopping and a wealthier population keen to travel.

“Now that 20 per cent of our Chinese business comes from online, we expect the number to grow by about a third in a couple of years,” he says.

Meanwhile, Samsonite president for China and the Philippines, Frank Ma, says the company spares no effort in using social media campaigns to guide traffic to brick-and-mortar stores. Followers of Samsonite's official WeChat account are given a discount coupon when they sign up for promotional events in shopping centres.

“Given China's high mobile usage, almost all types of brands have been using social media platforms,” says Dezan Shira's Erdenebileg. “Luxury brands and big brand companies are using WeChat and Weibo, but you also have smaller domestic and foreign brands. This is not just limited to goods either – you can buy services through these platforms, and some of these services are very creative.”

On both platforms, Hao Chushi allows users to find and call a professional chef to prepare meals in their homes. Meanwhile, lingerie brand Cosmo Lady – the first Chinese underwear brand to go public when it launched on the Hong Kong Stock Exchange two years ago – last year secured the rights to use Walt Disney characters on several specially designed underwear lines. The brand then launched a range reaching more than 200 million people through live broadcasts on social media platforms such as WeChat and Weibo. Cosmo Lady's distribution network comprises 8,050



retail stores in more than 330 cities.

WeChat use increases when a user enters the workforce, says Erdenebileg, probably because co-workers are more likely to add each other on WeChat than other apps.

"Connectivity through smartphone applications has really taken off in China, and a key reason is the existing ecosystem," she says.

While browsing Taobao, for example, you may find a shirt you like, which can be bought through Alipay in less than a minute.

"Or perhaps when you grab a quick snack in the convenience store, you can pay with WeChat instead of fumbling around with your wallet. If you need to transfer money, rent a car or bike, order food, make an appointment, buy tickets and more, everything is located on your smartphone."

### Looking ahead

Wei says China is transforming from an investment-based to a consumption-based economy.

Its online shopping market has

exploded in recent years, largely because of a 2014 government regulation that permits cross-border e-commerce. Mobile commerce penetration accounts for slightly more than half of online sales in China.

"Many people in smaller cities and villages didn't even have the internet or computers at home before they had their first smartphone," she says. "With smartphones representing more than 90 per cent of new phone sales, the mobile commerce trend is likely to increase."

Mobile payments in China started with small merchants and small transactions, and have quickly superseded credit cards and cash as the most popular payment method.

"Now China is on track to fully phase out cash, with mobile commerce now dominating the market. During China's biggest online shopping event, Singles Day, 82 per cent of sales last year came from mobile."

Wei says WeChat Pay is gradually challenging Alipay's domination, and expects brands and retailers to continue experiments in social shopping, such as

games, online ads, coupons, digital gifts and mini apps, with their followers – all of whom encourage people to share with friends and families to provide better customer experience and drive sales.

"Creativity-driven HTML5 campaigns are also becoming increasingly popular, which allow retailers to create scenarios with videos, music, graphics and even mini-games. This makes campaigns more fun and interactive. The campaigns can suggest that users click a hyperlink or action button that will ultimately direct them to their sales campaign sites."

So do Chinese retailers view social media as a genuine sales channel, or is it seen as simply a marketing channel that offers a few extra sales? Australian retailer Pharmacy Online now receives orders from social media platforms like WeChat and Weibo, accounting for half of the total orders from its Chinese site.

"Social media in China is more than just a sales channel – it is a platform merged with social media, messaging and customer-relationship management," says Wei. ■