

The “11.11” Phenomenon in China

By

Lu (Alora) Chen

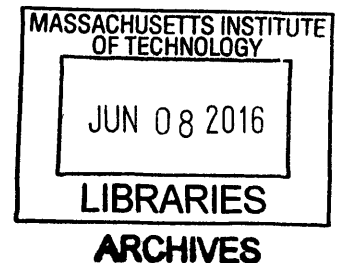
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ABSTRACT

Along with the rise of the Internet and smartphones, e-commerce plays a more and more important role in the Chinese consumer market. In 2009, Alibaba first created the “11.11” shopping festival. In 2015, the total GMV of “11.11” exceeded US\$14.3 billion, which was even more than the total transaction volume of the “Black Friday” and “Cyber Monday” in the US. Then, what is this “11.11” phenomenon, and why is this “11.11” so incredible? This thesis aims to study this phenomenon.

The paper will start by providing an overview and development of the “11.11” shopping festival in China. Then, it will illustrate the reasons for the success of the “11.11” phenomenon from policy, economy, social and service, and technology aspects. Afterward, it will analyze the impacts of the “11.11” phenomenon to consumers, suppliers, express companies and point out the problems and challenges in this phenomenon. It will also compare the “11.11” shopping festival with the Black Friday in the US. In the last part of the paper, it will summarize some takeaways from the analysis.

The data used in this paper are mainly from secondary sources, which consist of research from large institutions such as National Bureau of Statistics of China, Chinese Ministry of Commerce, and State Administration of Foreign Exchange (SAFE), previous research by well-known research houses such as McKinsy, Deloitte, and several others.

Key words: “11.11” shopping festival, Tmall.com, e-commerce, online shopping

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Chapter 1: Introduction to the “11.11” Phenomenon in China

November 11th, 2015, it seemed a normal day as usual. However, in the e-commerce industry in China, it was such an unusual day – the day of the biggest annual sales promotion feast in the whole industry. Especially in Alibaba Group, November 11th was almost the most important day in 2015, on which day thousands of staffs worked overnight to ensure millions of online consumers can shop smoothly from Tmall.com (a “Business-to-Consumer” online retail platform, spun off from Taobao and operated by Alibaba Group in China). And the rapidly changing bright red numbers on the electronic screen had proved that their hard work was worth it:

“00:01:12, the total Gross Merchandise Volume (“GMV” for short thereafter) on Tmall.com has exceeded RMB1 billion (\$157.20 million¹);

“00:12:28, the total GMV has exceeded RMB10 billion (\$1.57 billion);

“09:52:22, the total GMV has exceeded RMB50 billion (\$7.86 billion);

... ..

Statistics showed that, on November 11th of 2015, the total GMV of Tmall.com was RMB91.27 billion (US\$14.3 billion), among them 68.67% happened on wireless client devices, such as mobile phones and tablet personal computers². By comparison, US Black Friday sales reached US\$13.1 billion in 2015, among which the brick-and-mortar sales were US\$10.4 billion and online sales brought in US\$2.7 billion³. The figures indicated that, in 2015, the online sales of Tmall.com on November 11th are even more than the whole retail sales of US on Black Friday, and we had to admit that it was an amazing data.

Besides these astonishing sales figures, on November 11th of 2015, the New York Stock Exchange (NYSE) even rang the opening bell for trading remotely in Beijing for this

¹The USD to RMB exchange rate of 6.3614 using here is the exchange rate on Nov. 11th, 2015.

<http://www.safe.gov.cn/>

² Statistics data is from Alibaba Group.

³ <http://time.com/4128592/black-friday-sales-down/>, Black Friday Sales Down More than \$1 Billion.

Chinese shopping festival, and the staffs in NYSE also wore waistcoat printed with “Alibaba” to show the greet to this event. At the same time, in Times square, Madison square, and Silicon Valley, the NYSE set up three giant billboards to wish this shopping festival held successfully. On that day, Alibaba also held a TV gala for this shopping festival for the first time this year, and lots of famous stars attended this gala, including Daniel Craig – “James Bond” in 007 films and Kevin Spacey – the “US President Frank Underwood” in House of Cards.

Due to the particularity of this day, people use “11.11” to refer to this special day, and “11.11” has become a phenomenon in retail especially the e-commerce industry. Then, what is this miracle “11.11” phenomenon?

1.1 Origination of “11.11”

Before the year 2009, November 11th was just an ordinary day among 365 days in a whole year. In traditional Chinese culture, “2” means in pairs and has the extension of “couple” and “1” means “single”, so November 11th (“11.11” in Arabic numerals) is also called “Single Day” as a sort of anti-consumerist Valentine’s Day for singles in China.

In 2009, a person – Jack Ma and a company – Alibaba gave a whole new meaning of this day. On November 11th, 2009, Tmall.com (named “Taobao Mall” at that time) launched its sales promotion festival for the first time. And to the year 2012, November 11th had become a sales legend, which was also a special day to all the network sellers, suppliers and logistics companies.

1.1.1 Jack Ma and Alibaba Group

Previously, when people mentioned “Alibaba”, the first thing came into people’s minds was the Arabic story “Ali Baba and forty thieves” in the “One Thousand and One Nights”. But now, when people mention “Alibaba”, they all mean the e-commerce behemoth company “Alibaba Group” created by Jack Ma.

Before Alibaba, Jack Ma’s career and life were gloomy. He once applied for jobs in KFC and was rejected, and he also had been a former lecturer in English and International

Trade at the Hangzhou Dianzi University. Jack Ma established Alibaba Group in 1999 with a group of 17 friends in his apartment in Hangzhou, China, and this try was a correct one in his business life. After establishing Alibaba, Jack Ma stepped on the road to success. Jack Ma was the first mainland Chinese entrepreneur to appear on the cover of *Forbes*⁴, and he was once the richest man in China (Hong Kong not included) and 18th richest person in the world, with an estimated net worth of US\$24.1 billion, according to *Forbes*⁵.

From the outset, the founders of Alibaba shared the belief that the Internet would level the playing field by enabling small enterprises to leverage innovation and technology to grow and compete more effectively in the domestic and global economies. Since launching its first website helping small Chinese exporters, manufacturers, and entrepreneurs to sell internationally, Alibaba Group has grown into a global leader in online and mobile commerce. Today the company and its related companies operate leading wholesale and retail online marketplaces as well as Internet-based businesses offering advertising and marketing services, electronic payment, cloud-based computing and network services and mobile solutions, among others.

In September 2014, Alibaba Group made its initial public offering (IPO) in the United States with stock code "BABA.N". The pricing of IPO initially raised US\$21.8 billion⁶, which later increased to \$25 billion, making it the largest IPO in history⁷.

1.1.2 The first "11.11" in 2009

On November 11th, 2009, Tmall.com launched its sales promotion festival for the first time. Then, what was the reason to choose November 11th to launch this sales promotion?

⁴ Caroline Howard. "Jack Ma". *Forbes*.

⁵ Mellor, William (10 November 2014). "Ma Says Alibaba Shareholders Should Feel Love, Not No. 3". Bloomberg (Bloomberg). Retrieved 10 November 2014.

⁶ "IPO launch of Alibaba pushed back by a week". China National News. 1 September 2014. Retrieved 1 September 2014.

⁷ Picker, Leslie; Chen, Lulu Yilun (22 September 2014). "Alibaba's Banks Boost IPO Size to Record of \$25 Billion". Bloomberg. Retrieved 23 September 2014.

Tmall.com was first introduced by Taobao in April 2008 as Taobao Mall. At that time, online shopping only accounted for less than 2% of the total retail sales of consumer goods in the whole society, and online users were just reaching 100 million. At the very beginning, the starting point to hold this sales promotion activity was to make a holiday for Tmall.com and let consumers remember it. Since the “Golden Week” of the National Day in October and Christmas in December were sales seasons for physical stores of the traditional retail industry, Tmall.com chose November, a month without any festival and also a time after autumn when people should add some thick clothes for the coming winter, as the time to try the online sales promotion. There even was a story why the operation team chose “11.11” to launch the promotion sales. It is said that when the team was thinking to choose which day as the promotion day, they suddenly thought that a person would buy things and gifts for his significant other during “Valentine’s Day”, then for those single ones, why not bought themselves some gifts during “Single Day”? Later, the first “11.11” in history was born.

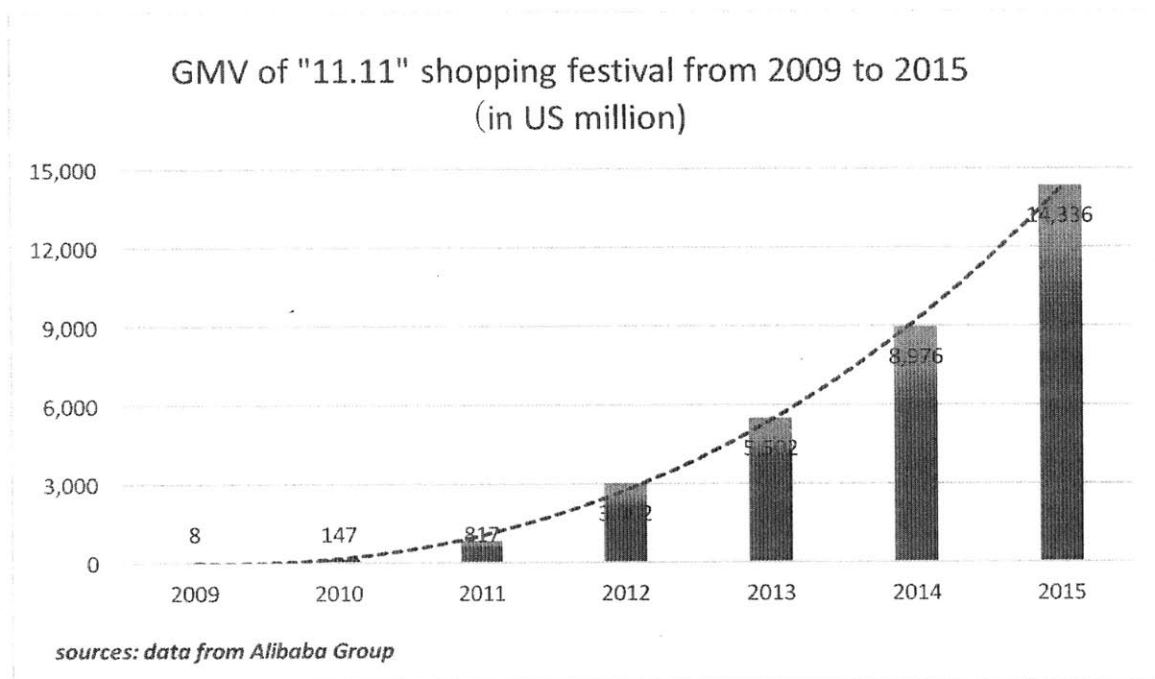
In 2009, only 27 brands participated in the first “11.11” promotion activity, and the GMV in that year was around RMB52 million (around US\$8 million). But this figure was already much bigger than the daily sales of Taobao Mall (the predecessor of Tmall.com) at that time. Due to the lack of previous experience, popular goods were sold out immediately in the promotion of that year. However, it was a great attempt and a successful start.

1.2 Development and current situation

On account of the good results and unexpected sales of the “11.11” in 2009, Tmall.com decided to continue this sales promotion activity every year.

From 2010 to 2015, the “11.11” shopping carnival developed quickly, more and more brands and merchants participated in this annual online sales grand ceremony and the comparative growth of Gross Merchandise Volume (GMV) on moving base increased sharply. According to the GMV data from Alibaba Group, the Compound Average

Growth Rate (CAGR) of the GMV of “11.11” shopping carnival was over 250% from 2009 to 2015. Detailed data was showed on the following chart.



From the chart above we can see that, the GMV of Tmall.com on “11.11” event increased from the US\$8 million in 2009 to the incredible US\$14,336 million⁸, which was even more than the sum of the total brick-and-mortar and online sales of Black Friday in the US. We have to give an exclamation to the remarkable success of the “11.11” shopping festival of Tmall.com.

Other than the sharply growing GMV, the “11.11” shopping festival in Tmall.com attracted more and more brands and merchants to participate in this activity. According to the relevant statistical data, there were only 27 brands joining the “11.11” shopping festival in 2009, and the figure reached to 711 brands and online shops in 2010. Till 2013, more than 20 thousand brands and online shops participated in this shopping carnival.

What’s more, sales of wireless client devices took an increasing proportion of the total sales is another character of the “11.11” sales nowadays. In 2015, two-thirds of all

⁸ Statistics data is from Alibaba Group.

transactions were completed from the wireless client devices. Compared with the online shopping in PC devices, the increasing using of wireless client devices meant that the purchasing times and places for consumers are more flexible and various. People could join the “11.11” shopping festival at anytime and anywhere as long as they have a mobile phone or tablet PC and can get to the Internet.

In addition, from the year 2012, the “11.11” shopping festival was not a carnival of Tmall.com itself but a great event for the whole e-commerce industry. All major players in e-commerce industry joined this grand ceremony. JD.com, Gome, Suning.com, 1 The Shop and many other e-commerce giants all treated this day as a battleground, which deserved their full efforts to make promotions and grab customers. The ever-increasing e-commerce platforms in “11.11” led to an increasingly fierce competition among the merchants and brands. And now, besides the “11.11” event, Tmall.com launched a “12.12” promotion as the continuation of the “11.11” shopping festival, and JD.com also promoted its own “6.18” shopping festival to attract attention from customers and compete with Alibaba Group. The “11.11” shopping festival had become a special phenomenon in the marketing field and e-commerce industry.

1.3 New elements in the “11.11” phenomenon

After seven year’s development, the “11.11” shopping festival not only becomes a festival of Alibaba but also becomes a festival of whole Chinese e-commerce industry and it has some new trends.

Globalization

Globalization is an obvious character of the “11.11” shopping festival nowadays. The “11.11” shopping carnival is showing amazing influence around the world. According to the data of Alibaba, from the Green Island in the most north part of the earth to Chile the most south country in the world, from the Republic of Seychelles in India Ocean to Barbados in the Caribbean, 217 countries and regions participated in this shopping

carnival in 2015⁹. While Chinese brands were the largest part of players in this carnival, a lot of international retailers took part into this carnival, too. Participating retailers included Macy's and Costco from the US, House of Fraser and Sainsbury's from the UK, Royal Ahod from Netherlands, Countdown from New Zealand, as well as P&G, Unilever, and other global brands.

In Japan, local companies like Lotte e-commerce, Yahoo Japan and so on also held discounts, promotions, and other promotion activities on that day. Even Bergdorf Goodman and Saks Fifth Avenue offered an 11% discount on their official website on that day, and we didn't know that it was a coincidence or it was impacted by the "11.11" phenomenon in China.

The "11.11" shopping carnival is not only a shopping festival of China, and it is now becoming a shopping festival all over the world. It is not only a sales promotion but also a communication of the global cultures.

Entertainmentlization

In the last two years, besides known for its online shopping platforms including Taobao and Tmall.com, Alibaba Group has moved beyond e-commerce and payments and aggressively into the entertainment space. It has launched its own movie and TV production arm Alibaba Picture, purchased the online streaming video site Youku Tudou, and created a film crowd-funding service Yulebao. And now, Alibaba Group even held a TV gala for this "11.11" shopping festival.

On November 10th night 2015, Alibaba launched a special TV gala live show in the Water Cube, which was directed by Feng Xiaogang and broadcasted worldwide by Hunan TV. Alibaba not only used this gala show to attract consumers' attention of the incoming "11.11" shopping festival but also used the popularity of stars directly in the gala show to do advertisements for their endorsement brands. The stars in the gala had formed a strong interaction effect with the brands which they endorsed. According to the

⁹ Data is from Alibaba Group.

webpage visiting traffic data, the online visiting of the brands jumped up directly after the stars making their performance in the gala show.

Diversification

In addition to globalization and entertainmentization, the promotion methods of “11.11” shopping festival are more and more diversified.

At the beginning, the promotion method was only direct sales discount, and all merchants used large sales discount to attract consumers’ attention. Nowadays, more and more promotion tools were used in this activity, such as the e-coupons and award cash from merchants, cash red bags and lottery drawing from Tmall.com and other e-commerce participators, shopping credits (which could deduct cash directly during payment), etc. Consumers can get e-coupons or cash award after their purchase, and use these coupons in their next time purchase within a limited time period. Consumers also can get cash red bags several days before the “11.11” shopping festival, and they can use these cash red bags just on the “11.11” day.

The variety of promotion methods make consumers feel more interesting and stimulate the enthusiasm of their participation. Try to think that, when you have a valid coupon, you must want to try to spend it before it expires. The e-coupons and cash reward after purchase also add the chances for consumers to buy again in the same shop.

Ruralization

Another highlight of the “11.11” shopping festival in 2015 was the “rural Taobao” joined this grand ceremony for the first time. Millions of farmers participated the “11.11” carnival for the first time through more than 80 million of village Taobao Stores all over the country, and they went into the village Taobao Stores to choose and buy goods like shopping in a country bazaar. Compared with consumers in the urban area, due to the lower income level, consumers in rural area are more sensitive to a price discount, and the “11.11” event triggered their great passion for participating in.

Thanks to the big data and village warehouses of Cainiao Network (a logistics information platform operator of Alibaba Group), the farmers even could get their

shopping goods in one day from the countries to villages. And the rural consumption demand showed a strong potential in this 2015 “11.11” shopping festival.

All these new characters we talked above indicate the great influence and popularity of the “11.11” phenomenon today.

Chapter 2: Reasons behind the “11.11” Phenomenon

Why is the “11.11” shopping festival so popular and successful in China? In such few years, it expanded from one e-commerce company to the whole industry even to abroad. Are there any unique reasons for its success? In this chapter, we will briefly discuss some reasons related to the success of the “11.11” phenomenon in China.

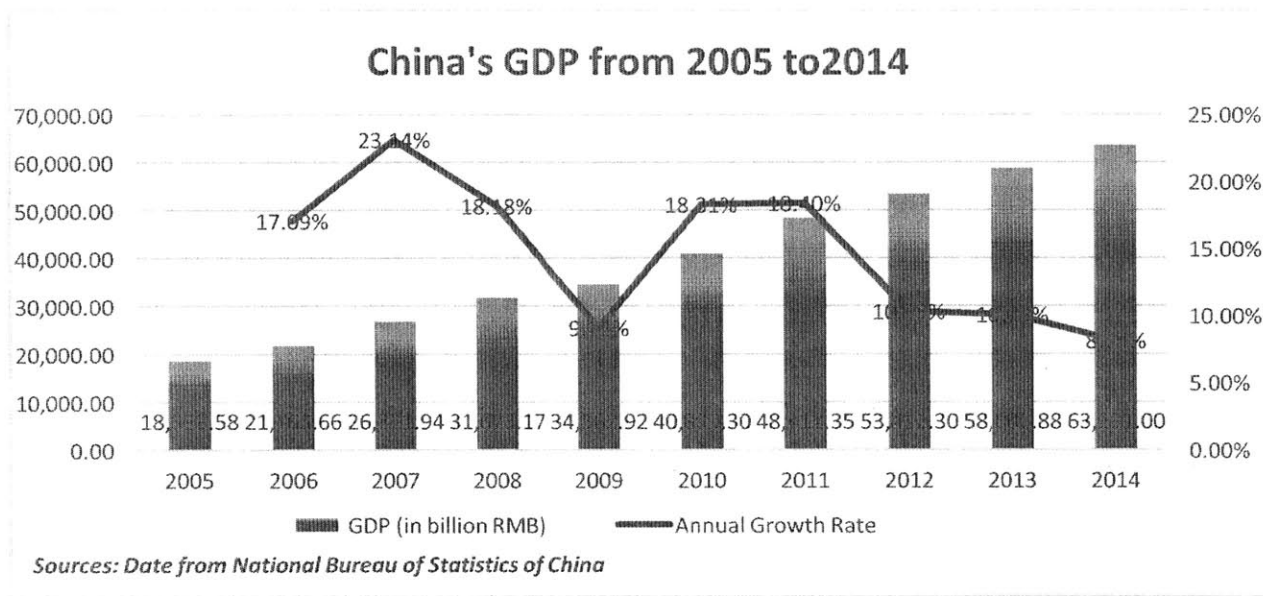
2.1 Economics reasons

The repaid development of China's economy

For nearly 70 years since the establishment of P.R. China, the Chinese political situation has kept a relatively stable level. The stable political environment is the premise of the development of science, technology, education and all aspects, especially of the economy, and it is also the guarantee of people's happy life.

Since the reform and opening up in 1980's, China's economy has been developing rapidly with tremendous achievements. In the recent ten years, the annual GDP of China increased from RMB18,560 billion in 2005 to RMB63,591 million in 2014¹⁰, with an average annual growth rate of 14.85% and a CAGR of 14.64%, which we can see the detail from the chart below.

¹⁰ The National Bureau of Statistics of China. <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0201&sj=2014>.



In the year 2010, China overtook Japan and became the world's second largest economy¹¹. After entering the new normal development, China's GDP growth dropped to around 7% per year. However, compared with other major economies' annual GDP growth rate all over the world, the 7% annual growth rate still took the leading position. Moreover, China contributed the first to the world economic growth over the years, accounting for nearly thirty percent of the world's total economic growth.

The fast-growing Chinese economy brings wealth to the Chinese consumers, and they have more disposable income. The increasing disposable income also increases people's incentive to daily consumption. Economic development also brings an abundance of material goods. With the development of the Internet and logistics, a wide variety of consumption goods are presented to consumers, then the online consumption becomes a part of people's life naturally and takes a more and more important role. Under this circumstance, the popularity of "11.11" event is not hard to understand.

The changes in the propensity to consume and the consumption patterns of consumer

The international trade seemed to go into its winter season in China recently, and investment growth decreased in the past years. In this case, the household consumption expenditure became the "pillar" of the Chinese economy. According to the

¹¹ <http://finance.sina.com.cn/j/20110214/08519369574.shtml>.

data from National Bureau of Statistics of China, the total household consumption expenditure accounted for 66.4% of the total GDP of China in 2015, which was an increase of 15.2% over the previous year¹².

The household consumption expenditure as a share of the total GDP of China has been continuously increased for 6 years, from 49.1% in the year 2010 to the 66.4% in the year 2015¹³. From the figures, we can say that as the coming of the “13th Five Year Plan”, China’s economy begins to step into the consumer economy. The consumers are more willing to spend their money nowadays compared with saved it previously.

In addition to the change of the propensity to consume, the consumption pattern of consumers has also changed gradually. According to National Bureau of Statistics of China, China’s online retail sales reached to RMB3, 877.3 billion (\$597.1 billion¹⁴) in 2015, an increase of 33.33% over the year of 2014¹⁵. Consumers at present, particularly the younger generation, are used to buy things with a gentle click of the mouse, or a slide of their mobile phone screen. Due to limited time and the traffic congestion in big cities, the brick-and-mortar stores are no longer the first shopping choice for many young people. And the things one can buy online are much more than one can buy from a physical store. Without stepping out of the home, online shopping makes it possible for people to buy things no matter where they were produced and no matter where they are storing now.

“The Internet + consumption” pattern has great influence on the consumer market. For one thing, it improves the frequency of circulation of the consumption goods and the convenience of the household consumption; for the other, it improves the consumption environment by changing the industry services.

The consumers are willing to and able to spend their money, and they are gradually willing to and used to buy things online. The former provides the consumption basis for

¹² http://www.gov.cn/zhengce/2016-01/20/content_5034567.htm

¹³ The National Bureau of Statistics of China . http://www.stats.gov.cn/tjsj/zxfb/201506/t20150603_1114905.html.

¹⁴ The USD to RMB exchange rate of 6.4936 using here is the exchange rate on December 31st, 2015.

<http://www.safe.gov.cn/>

¹⁵ http://www.gov.cn/zhengce/2016-01/20/content_5034567.htm

the “11.11” phenomenon; the latter directly contributes to the prosperity of this shopping festival.

2.2 Social reasons

The sustainable growth of the per capita disposable income (PCDI)

In the previous paragraph, we have discussed that the Chinese economy has maintained a rapid development trend in recent decades. Along with the development of the economy, per capita disposable income (PCDI) of Chinese residents also increases year by year. According to the data from National Bureau of Statistics of China, the PCDI in China in 2014 was RMB29 thousand (around \$4.7 thousand), which was a growth of 8.9% over the previous year¹⁶, and that index in 2010 was only RMB19 thousand (around \$2.9 thousand).

With more money in hand, consumers have the incentive and would like to do consumption, which could provide a better life condition for themselves and families. The sustained growth of PCDI provides a strong support for the residents’ consumption, which is also a positive factor of the “11.11” phenomenon.

The continuously growing social security system

Besides the increased income, the continuously improving social security system is also a plus for the popularity of the “11.11” shopping festival. As an important regulator of the social resources, the social security system is regarded as an important symbol of the economic development and civilization progress of a country or region.

In recent years, with the rapid economy development, the social security system of China underwent steady improvement and got remarkable achievements. The reform of endowment insurance and medical insurance enhanced rapidly and the coverage of the insurance expanded largely, especially in the rural area and less developed villages. A new social security system framework, which has the foundation of social relief, social

¹⁶ The National Bureau of Statistics of China. <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0201&sj=2014>

insurance and social welfare, and the content of endowment insurance, medical insurance and a minimum living allowance system, has been formed basically. Although there are still some problems to be solved, China's current social security system has improved significantly in general compared with the previous one.

For people who live in cities and pay health insurance regularly, the social security system can cover 80%~90% of his/her health care expense. For people live in the rural area and attend the "new rural cooperative medical insurance", they can get reimbursement of 50%~80%, with an average figure of 75%, of the health care expense¹⁷. Also, the endowment insurance can guarantee the basic living expenses for people after retirement.

With a gradually improving social security system, people could and would like to reduce the precautionary savings for the future uncertainty, mitigate their consumption anxiety, and enhance their consumption willingness. To some extent, it increases the PCDI again. With an increasing PCDI and a growing social security system, the consumers certainly would like to spend more money on daily consumption, which is another plus for the success of the "11.11" shopping festival.

2.3 Technology reasons

The popularity of Internet and the tremendous development of the e-commerce in China

In recent decades, with the perfection of Internet infrastructure, the explosive increase of Internet user, and the popularization of Internet applications, the Chinese Internet market has achieved booming development. We can see this growth trend from the statistics data of Chinese Internet access number and broadband users in the table below.

¹⁷ China raise the compensation level and reimbursement proportion again for the new rural cooperative medical insurance. http://www.gov.cn/xinwen/2015-01/29/content_2811977.htm

| Statistics Indicators for the Internet of China | | | | | | |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Internet access number (in million people) | 384.00 | 457.30 | 513.10 | 564.00 | 617.58 | 648.75 |
| Broadband users in urban area (in million households) | 103.98 | 99.64 | 116.91 | 134.42 | 141.54 | 151.75 |
| Broadband users in rural area (in million households) | - ¹⁸ | 24.76 | 33.09 | 40.76 | 47.37 | 48.74 |
| <i>source: Data from The National Bureau of Statistics of China. http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0G0Z&sj=2014</i> | | | | | | |

The rapidly growing Internet infrastructure and Internet users provide a solid foundation for the birth and development of e-commerce in China.

As the result of excessive dispersion, efficiency and over-investment of the real economy, the Chinese economy has a general overcapacity in recent years, and there is a large backlog of consumer goods accumulated. In this case, the manufacturers and retailers have the incentive and pressure to sell their goods as soon as possible. However, along with the rising rent and labor costs which squeeze the profit more and more heavily, it is hard to even unfeasible for the manufacturers, especially the retailers, to sell the goods at a low price. Under such circumstances, the online sale becomes an ideal way to solve the contradiction. Since the online sale reduces the channel cost, store renting cost and labor cost, the products sold online are much cheaper than those sold in physical stores. The low prices attract great attention from the consumers, especially the younger generations who have the courage to accept new things and the ones who do not have a high income. Thus, e-commerce in China grows rapidly.

Besides the reason above, comparatively speaking, the physical stores in China were not distributed widely enough. With the development of economy, the purchasing power of Chinese people increases fast. But, the increasing amount of shopping malls is not that rapid. People can only buy some brand goods, especially the big or popular brands, in first and second tier cities. This kind of purchase demand also pushes the development of e-commerce. According to the Chinese Ministry of Commerce, e-commerce has become an important growth point of national economy. In 2014, China's

¹⁸ Statistic data of broadband users before 2010 did not distinguish urban area users and rural area users, so broadband users in rural area in 2009 here is zero.

e-commerce transaction volume growth rate was 28.64%, which was 3.86 times of the GDP growth rate, 7.4% of that year¹⁹.

With the popularity of e-commerce in China, the popularity of an e-commerce shopping carnival, the “11.11” shopping festival, which attracts full attention from consumers seems taken for granted.

The development of mobile clients

From the National Bureau of Statistics data below we can see that, the mobile phone penetration and mobile phone users in China have increased rapidly, especially for the number of 3G mobile phone users.

| Statistics Indicators of the China mobile client Development | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Mobile phone penetration (units/hundreds of people) | 64.36 | 73.55 | 82.50 | 90.33 | 94.03 |
| Mobile phone user by year end (in millions) | 859.00 | 986.25 | 1,112.16 | 1,229.11 | 1,286.09 |
| 3G mobile phone user by year end (in millions) | 47.05 | 128.42 | 232.80 | 401.61 | 485.26 |
| source: Data from The National Bureau of Statistics of China. http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0201&sj=2014 , http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0E0H&sj=2014 | | | | | |

With the development of 3G technology, mobile internet has gradually entered into people’s life, and mobile users can get on the Internet at any time and anywhere. Combined with the development of mobile clients, it creates a good platform for the online reading, online watching, online social as well as online shopping and payment. According to research, online shopping and payment have become the third most frequently used application, only behind online news reading and online video watching.

Due to the convenience and possibility, shopping with mobile clients is becoming more and more popular. According to data from the Chinese Ministry of Commerce, the mobile e-commerce presents explosive growth. In 2014, the annual growth rate of mobile shopping volume in China reached to 234.3%²⁰. Consumers can use the

¹⁹ China’s e-commerce report (2014). Chinese Ministry of Commerce.

²⁰ China’s e-commerce report (2014). Chinese Ministry of Commerce.

timepieces in subways, buses or when they are waiting to purchase their favorite products. The increasing mobile internet users, in return, promote the popularity of online shopping. What's more, the development of mobile clients increases the access to the online shopping. Maybe not everyone at home has a computer, but everyone will definitely have a mobile phone. Then, during the "11.11", every family member can take part into this big event by his/her mobile phone.

The development of Big Data and Cloud Computing technology

If the development of technology in other aspects we mentioned before provides the basis for the "11.11" shopping festival, the development of Big Data and Cloud Computing provides the solid support for this activity. When the "11.11" shopping festival refreshed the world retail records, it also created countless technology miracles.

According to the data from Alibaba Group and Ant Financial (financial service provider of Alibaba Group), in the 2015 "11.11" global shopping carnival, the peak number of order creation broke 140,000 transactions per second and the payment peak number from Alipay reached 85,900 transactions per second, which were far ahead of the previous world record. And the two figures in 2009 were 400 orders per second and 200 payments per second, respectively. We can use a set of reference data to show how amazing the figures from Alibaba. According to online research, the laboratory testing payment peak number of Visa was 56,000 transactions per second, and number of MasterCard was around 40,000 transactions per second. In actual application, the Visa peak number was 14,000 transactions per second²¹, which was only one-sixth of the figure of Alibaba. To support such tremendous data-handling capacity, the leading actors are Ali Cloud and OceanBase – the former is a computing operation platform of Alibaba Group which provides computing and data processing services to enterprises and government²² and the latter is a high performance distributed database system (DDBS)²³.

²¹ *The technology limitation of Alibaba*. <http://www.managershare.com/post/217809>

²² Ali Cloud, Baidupeida. <http://baike.baidu.com/view/2817287.htm>

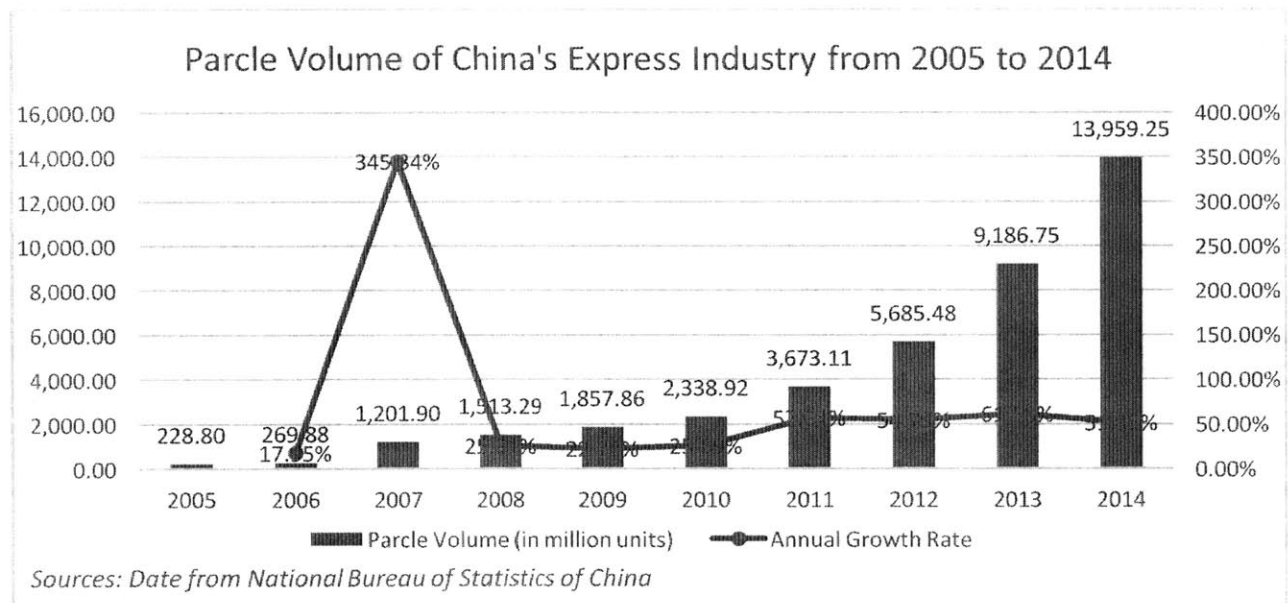
²³ OceanBase, Baidupedia. <http://baike.baidu.com/view/6398661.htm>

With the development of Big Data technology, the sellers or manufacturers also can do analysis on selling goods, consumers' preference, orders, forecasts and so on, and then better serve the consumers. With the development of Cloud Computing technology, the shopping system would not be crushed down when millions of people purchase online at the same time during the "11.11" shopping festival and the payment system can work smoothly to serve the consumers.

2.4 Logistics reasons

The rapid development of logistics industry

In recent years, Chinese logistics industry also developed rapidly. According to the National Bureau of Statistics of China, from 2005 to 2014, the total parcel volume per year increased from 228.8 million in 2005 to 13,959.3 million in 2014²⁴, with a CAGR of 58%. The figure indicated the rapid development trend of the logistics industry under the background of rapid economic growth, fast development of the third industry and urbanization. The detailed figures are showed in the following chart.



²⁴ The National Bureau of Statistics of China. <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0901&sj=2014>

Due to the developed transportation network and the abundant and relatively cheap labor resources in China, “fast speed and low price” is an outstanding feature of the Chinese logistics. In China, the speed of logistics transportations among major cities is quite fast. Express between Beijing and Shanghai basically needs only one day, and one in Beijing can receive his/her parcel on the next day which is delivered from Shanghai the day before. Express by land transportation between Beijing and Guangzhou or Shenzhen usually takes 3~4 days, and by air within 3 days. If a consumer chooses Shun Feng Express (a leading express company in China, famous for its high-quality service and fast delivery speed), the parcel delivered from Guangzhou or Shenzhen even can arrive in Beijing on the next day. Besides these general express service, there are “the same day delivery” express service in major cities. If a client chooses this service and delivers a parcel in the morning, the recipient in the same city can receive the parcel on the same day in the afternoon. What’s more, JD.com even launched a “two-hour delivery” service in first-tier cities with its own logistics and promised to deliver the goods to the door in two hours after one made the purchasing order. Although the express delivers speed is quite fast, in China, the expense for the logistics is not that expensive, even we can say that it is really cheap. The express cost per kilogram will not exceed \$5 even for the fastest service. Compared with the “prime member” service provided by Amazon.com in the US, it seems that the \$99 annual fee and the “two-day delivery” are not such attractive anymore.

In addition, the “last mile” service in Chinese logistics industry also gets large development. “Last mile” is a term used in supply chain management and transportation planning to describe the movement of people and goods from a transportation hub to a final destination in the home²⁵. Along with the continued growth of e-commerce, it has become more and more challenging for the last step of delivery which ends up at the consumer’s home or office, because most consumers are not at home when deliveries happen. To solve this problem, express companies in China try many ways, such as corporating with supermarket and convenience store, setting post rooms in subway

²⁵ Wikipedia. [https://en.wikipedia.org/wiki/Last_mile_\(transportation\)](https://en.wikipedia.org/wiki/Last_mile_(transportation))

stations, setting post rooms with kiosks in communities, using auto lockers with a password and so on.

With the quickly and convenient logistics services, more than 678 million parcels²⁶ produced on November 11th, 2015 could be processed within 10 days, even most of them within one week. There were reports said that it only took 14mins for the first parcel to deliver to the client in the 2015 “11.11” shopping festival. The developed logistics industry provides strong support for this “11.11” activity.

²⁶ <http://www.cctime.com/html/2015-11-12/201511121720326306.htm>

Chapter 3: Impacts of the “11.11” Phenomenon

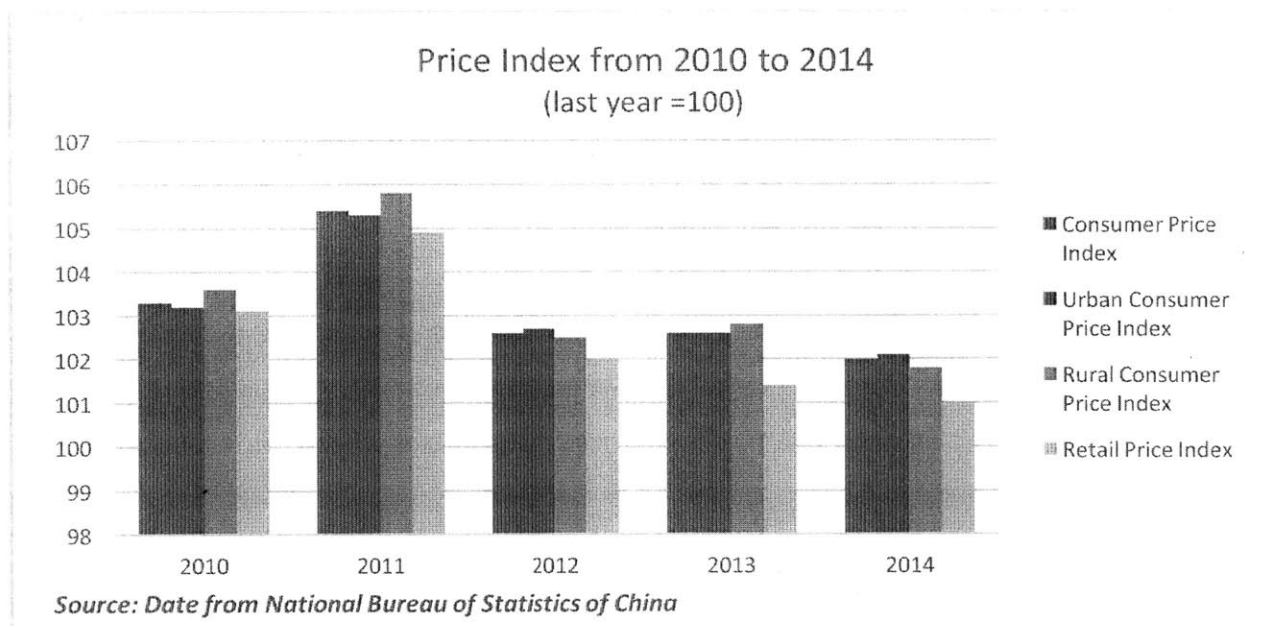
Then, what are the impacts or influences of the “11.11” phenomenon? What are the changes it brings to the participants in this event? In this chapter, we will briefly discuss it.

3.1 Impacts on buyers

As the most widely participating group, consumers are the first to be affected by the “11.11” event.

Benefiting the consumers

Consumers do benefit from this “11.11” shopping festival. As the economy develops, the price index is also increasing year by year. From a chart below we can see the major price index changing in recent years in China.



Till 2014, the price index of consumer goods had grown continuously for five years, in varying degrees. For consumers, their most intuitive feel was that things were more and

more expensive. When the price of goods got more and more expensive, promotion sales would give the consumer a direct feeling of “save money” and attract their great attention. Although not all merchants in the “11.11” shopping festival gave big promotions on that day, generally speaking, most of the merchants provided very considerable promotions to consumers. The common discount range was 30%~50% off, and many shops even gave a discount more than 60% off. Benefit from the price discount, consumers can use less money to buy more things and reward themselves after a whole year hard working.

Besides the price discount, the e-commerce business pattern, especially the business-to-customer (B2C) model of Tmall.com, directly connects the consumers and the producers. It reduces the distribution layers between the consumers and the producers, then reduces the channel costs. For some commodities, the channel costs account for 40%, even much more, of the retail price. From this aspect, e-commerce indirectly saves money for consumers, and so does the “11.11” shopping activity.

Generally speaking, whether directly or indirectly, the consumers have benefited from this annual sales promotion activity.

Changing the ways people consume

The “11.11” phenomenon also changes the ways people consume. Before the e-commerce got popular, people were used to going to the physical stores to buy things they need. With the development of e-commerce, some new adopters tried to do consumption online. However, these new adopters only accounted for a few part of the whole consumer group and most of them were young generations, and the changing process from physical store buying to online shopping was not that fast. “11.11” event was a catalyst in this changing process. With the great impact and wide publicity of this shopping festival, suddenly even an elder grandma in a third tier city knew that one could buy things not only from shops near her home but also from some far away places online. People could select a greatly rich variety of good without leaving home, and people lived in the most northern part of China could buy things produced in the

most south part of China without going there. The convenience and efficiency of online shopping and “11.11” event got the consumers’ recognition.

In addition, besides the clothes, shoes, handbags, electronic goods stores, supermarkets also joined the “11.11” shopping festival, and they had a huge impact on where people buy general merchandise from. Lots of daily using goods are quite heavy or in big sizes, such as the big bottles of laundry detergent, the big size bags of rice, or family pack of toilet paper. Before the popularity of online supermarket, people bought this kind of things from physical markets, personally. And it was troublesome to take these big or heavy things back home from the supermarkets, especially to those who didn’t have a car or whose apartment was without an elevator. But now, people can buy these things online and the couriers will deliver all things you ordered to your home. What one needs to do is only click the mouse, wait and then open your door on the next day.

With the convenience online shopping provides, consumers are changing their consumption ways gradually. With the great impact of “11.11” phenomenon, it makes the change faster.

3.2 Impacts on brick-and-mortar stores

The popularity of online shopping brought a huge blow to the brick-and-mortar stores, and the “11.11” phenomenon made this impact even large.

The e-commerce in China has developed greatly in recent years, and the annual online retail volume growth rate was more than 40%. According to the Chinese Ministry of Commerce, in 2014, China’s e-commerce transaction volume growth rate (28.64%) was 3.86 time of the GDP growth rate (7.4%) that year, and the online retail sales growth was 37.7% faster than the total consumer goods retail sales growth²⁷. Where did the faster part come from? It was from the real economy, from the physical stores. Due to the price gap, more and more consumers go to brick-and-mortar stores to try the goods,

²⁷ *China’s e-commerce report (2014)*. Chinese Ministry of Commerce.

but choose to buy online, and this phenomenon is even server several days before the “11.11” event. For the physical stores, the year end should be the peak season for their sales, but this peak season was not that “peak” in recent years due to the “11.11” phenomenon. What’s more, after the “11.11” carnival, there even is a following “12.12” festival. And the decreasing sales seriously affect the profit of the enterprises. Because of the declined profits, some physical stores choose to close the unprofitable stores to cut costs. Base on the research by Deloitte Analysis, the national major retailers (department stores and supermarkets) closed 201 stores or branches in 2014, with a year-on-year growth of 474.29% compared with the 35 stores closed in 2013.

However, what the e-commerce, including the “11.11” shopping festival, brings to the brick-and-mortar stores is not just the blow, it also brings some fresh blood. Some brick-and-mortar stores try to take the advantages of online sales and the “11.11” event. Gome.com and Suning.com are the successful cases. Suning, established in 1990, was traditional retail chain stores for household appliances. In 2010, Suning launched its online sale platform, and in 2013, it realized the uniform retail price both online sales and offline sales. So for Suning, the “11.11” event is not only an online sales carnival but also an offline sales grand ceremony. And recently, more and more physical stores make the setting up online sales platform as one of their core business focuses.

3.3 Impacts on express companies

The rapid development of China’s parcel express industry has provided the safeguard to the “11.11” shopping festival, on the other hand, the “11.11” phenomenon also promotes the further development of the express industry.

In the second “11.11” shopping festival in 2010, a new term “warehouse blow up” was born in the parcel express industry. When the courier companies suddenly receive a huge amount of parcels in a short period, the parcel amount would be beyond the dealing capacity of these companies. Since there are not enough staff in courier companies to sort the parcels received, the parcels can only be put in the warehouses and cannot be delivered timely, and the courier companies even cannot receive new

parcels for their business. The consumers need to wait for a long time, even more than two weeks (in previous paragraph we have discussed that the delivery time is very short in the China's express industry, so two weeks, even on week, is really an unacceptable time for most of the consumers), to receive their parcels. And, this phenomenon is called "warehouse blow up" in express industry. In 2010, due to the unexpected success of the "11.11" shopping festival in that year and the inexperienced preparation for the express industry, most courier companies faced the "warehouse blow up" troubles. Since the "11.11" shopping festival was more and more successful and popular in the next two years, the "warehouse blow up" was more and more severe.

To solve this problem, the courier companies tried varieties of methods to improve the dealing capacity in extreme cases. They developed control system to smooth parcel volume when there was a fluctuation; they increased the branches near resident communities; they corporated with convenience stores to set pick up stations, and they used tricycles and motorcycles – the small size vehicles which could easily go to the alleys – to deliver parcels in the "last mile". What's more, the courier companies also found that the "11.11" shopping festival was a good opportunity to seize and enlarge market share. In each early November, they hired temporary workers and prepared the transportations in advance to embattle for the coming "11.11" event. Years passing, some new companies enter the market and some old ones are eliminated by the highly competitive market, and the express market in China develops to an oligopoly market.

With the development of the express industry and the efforts of all the courier companies, the "warehouse blow up" phenomenon has been greatly improved in recent years. From the real personal experience of the author of this paper, in 2014, most parcels could be received within one week, and the delivery time for quite a part of those parcels was just as same as that during normal days.

The "11.11" phenomenon greatly improves the emergency response capacity of the courier companies and the development of the parcel express industry.

3.4 Impacts on payment system

Before the popularity of e-commerce, the use of online payment was quite limited. Sometimes people only used online banking for money transfer, remittance and so on, and more often people still chose to go to a bank to deal with “money” issues.

Along with the tremendous development of e-commerce, the payment system also obtained considerable progress. Online payment was one of the key issues for e-commerce, and a variety of third-party payment platforms were introduced to the market with the deepening of e-commerce development, such as Alipay, Wechat pay, Quick money, etc. Compared with the traditional payment system, online payment has the advantage of convenient, fast, efficient and economic. Accessing to the internet, users can just finish the payment with a computer or mobile phone, with fewer commission fees compared with the traditional way. Other than the online consumers, more and more physical stores, restaurants, and convenience stores also accept this quick and convenient payment method. Previously, it was almost impossible for one went out without his/her wallet, and now, literally, one can solve all problems related to money and pay with a mobile phone, and people even do not need to bring cash when they go out.

The “11.11” phenomenon puts forward higher requirements and challenges to the online payment. Due to the tremendous transactions in a short time, the “11.11” activity requests that the online payment system can process huge amounts of payment requirements at the same time and ensure the safety of the payment as well. In 2011, due to the suddenly booming payment requirements, the online payment system (especially the ports of banks) once was crushed down when the “11.11” shopping festival began and made the consumers cannot pay successfully. But now, even though the peak transaction amounts doubled or tripled than those in 2011, the online payment system can provide orderly services to the consumers.

It is said that besides the online payment system nowadays, the payment operators are even trying hard on the biological payment research and development. Maybe in the near future, it would no longer be a dream to pay by voice even by face. Getting rid of the trouble of entering a password, the consumers may buy things more happily and quickly in the future “11.11” shopping festival.

Besides all impacts we talked about, what is the long-term impact of the "11.11" phenomenon? Is it really increasing the total sales of consumer goods, or just shifting sales to a certain day? From the opinion of the author, the "11.11" phenomenon should have some positive impact on the total sales of consumer goods, but not as much as the incredible growth rate of this event. Unfortunately, till now, we do not have detailed figures to specify this question. In this respect, the increase in sales should be interpreted with caution since we do not have supported data on the long-term outcome.

Chapter 4: Problems, challenges, and the future

Despite the remarkable outcomes of the “11.11” phenomenon, there are also problems and challenges of this man-made event. In this chapter, we will provide some problems, challenges of this phenomenon and look ahead the future of this event.

4.1 Problems

The problem of goods quality

Originated in Tmall.com, nowadays “11.11” has become a universal shopping carnival for almost all the e-commerce platforms, including Taobao.com, JD.com, Suning.com and so on. Compared with goods in other platforms, fake goods have been one of the major problems on Taobao.com platform, and fake goods problem would greatly influence the customer experience, loyalty, and satisfaction.

Unlike the customer-to-customer (C2C) platform of Taobao.com, Tmall.com is a B2C platform which can significantly reduce the possibility of fake goods. But due to the huge order volume in a short time, in order to meet these orders from consumers, it happened from time to time that the companies used shoddy goods instead of good quality goods. If you reviewed the comments of purchases after the “11.11” shopping festival, it was common to see comments like “there is defective on the received clothes”, “the goods quality is not like what I bought before”, and “the received item does not work”, etc.

Alibaba and other e-commerce giants in China have the great ambition to enter the international market, then the goods quality issue will become a big obstacle on the road of internationalization. Organizations in US and other global brands are closely watching the goods quality problem, and they are worried that the shoddy goods even fake goods will spread to other parts of the world through the platform of Taobao.com and other Chinese e-commerce platforms.

The problem of goods return

As we mentioned just now, goods quality is an issue of the “11.11” shopping festival, and this issue will trigger another problem of goods return. Most of the merchants agree that consumers can return the goods or exchange a new commodity with quality problem, and most of the merchants participated the “11.11” shopping festival would give consumers the commitment of free return. Then, the increasing goods return is an inevitable problem after this shopping festival.

Besides the goods return due to a quality problem, impulse shopping is another reason leads to goods return. Since many consumers do impulse shopping in promotions and buy unnecessary things, they will choose to return the goods after the impulse. The increasing goods return after “11.11” would create a large express delivery cost to the merchants, in addition, it would bring huge trouble to the manufacture and logistics enterprises.

The problem of fictitious discounts

Another problem which has always been mentioned is the “fictitious discount” during the “11.11” shopping festival. From the merchants’ side, they do not want to sell products at an excessively low price, but they have to make large discounts and attend the “11.11” shopping festival and attract customers. To solve this contradiction, some merchants increased their retail price before “11.11”, and then gave a big discount on that day. With this “fictitious discounts”, the merchants would not decrease their real sales price too much during the promotion activity. For example, if a store sells a pen at RMB50 in normal times, it will increase the price of the pen to RMB80 and give a 30%~40% discount on “11.11”, and then it can sell the pen at RMB48~RMB56, which is almost the same price, even a higher price, as usual.

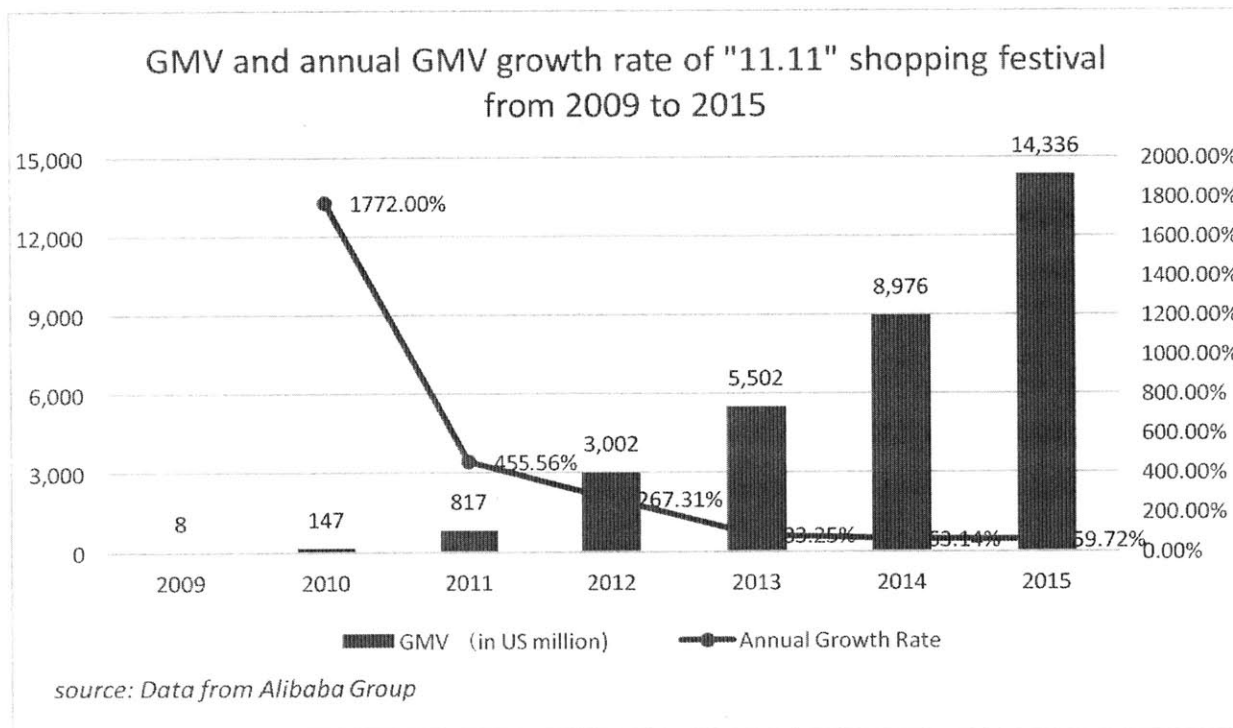
This fictitious discounts problem greatly influences the customer satisfaction and reduce the repurchase rate and word of mouth. In the long run, it will affect the future sales growth of the merchants in each platform and the prosperity of “11.11” and other similar online shopping events.

4.2 Challenges

The challenge of subsequent growth

The subsequent growth is the biggest challenge of “11.11” shopping festival, and it receives extensive attention from the investors of Alibaba.

Investors’ expectation is one of the most important factors which would affect the price of the stock in US stock market. American investors will give a higher premium to the high-speed growth business and can tolerate its low profits. But American investors will always pay much consideration to the revenue growth and gross margin, which would influence the price premium hugely if they decrease. Due to the limited market capacity, the fierce competition and the great sales figures which have been made before, it is hard for Tmall.com to continue the resplendent GMV growth in the future. The following chart shows the annual GMV and the annual GMV growth rate of “11.11” shopping festival from 2009 to 2015.



From the chart, we can see that the annual GMV growth rate of “11.11” shopping festival is declining, from the highest 1,772% in 2010 to 59.72% in last 2015. We should admit that an annual growth rate of 60% is really an astonishing figure for most of the companies, and we believe that Tmall.com could keep this growth in the recent future due to the huge consumer market in China and the further popularity of Internet in the countryside of China. However, the challenge is how long can this growth rate last? If this growth cannot continue, and how far can this brilliant grand ceremony go?

Also, as we mentioned above, it's not clear yet whether the spending on “11.11” really marks a rising Chinese economy or merely a bargain shopping day for which shoppers have saved for a long time. How far can “11.11” go in China is really a big concern for this “11.11” phenomenon.

The challenge of Internet fraud

When consumers make their crazy shopping during the “11.11” shopping festival, the internet fraud is a coming challenge to every player in this grand ceremony.

During the online shopping process, some Internet fraudsters use a technical methodology to interfere the shopping interface, which would make the consumers unable to pay the money. Then the fraudsters pretend to be the service staff and persuade the consumers to transfer payment by the methods they are suggesting. At this point, some consumers lack of awareness would be easy to be deceived.

The Internet fraud brings the consumers huge hidden trouble to their property safety, which would be a big challenge need to be addressed.

The challenge of information security

With the development of online shopping, online payment and real-name requirement in the express delivery industry, the followed information security problem has increasingly become a challenge.

Some consumer said that they began to receive harassing phone calls after the “11.11” shopping festival, some of which were promoting their products and some of which were

promoting insurances. Even some consumer received physical express mails which included materials showing that the receiver won a prize. All the harassing calls or mails used the correct and real phone numbers and addresses of the consumers. The leaked personal information would lead to huge potential security problems to each consumer.

The e-commerce platform like Tmall.com, JD.com and others made a statement and promised that they would not disclose personal information to other third parties, but they could not guarantee that the merchants and the express delivery companies would not do so. In spite of this, the information security challenge is increasingly serious.

4.3 The future

Though its rapid economic growth has slowed considerably, China remains an engine to revive a sluggish world economy, and the strong domestic demand in China cannot be ignored. With the experiences and reputation accumulated in the previous seven years, “11.11” shopping festival has gotten more and more popular in China. In addition, except for the “11.11” shopping festival leads by Alibaba Group, JD.com is creating its own “6.18” shopping festival.

The GMV of “11.11” shopping festival, especially the GMV of Tmall.com in this event, may not grow as fast as before, also, there are lots of problems and challenges accompanied with this event. However, with the further development of the Internet, big data, e-commerce, online payment, express and logistics industries in China, with the improvement and perfection of the laws and regulations related to online shopping, the shopping environment for the “11.11” event is getting better and better. We can believe that the prosperity and popularity of the “11.11” shopping festival will continue in the future.

Chapter 5: Comparative study of “Black Friday” in the US

When mentioned the shopping carnival, “Black Friday” is an option will never be forgotten by people. Then compared with the “11.11” in the world’s second-largest economy, what are the similarities and differences of the “Black Friday” in the world’s first largest economy?

5.1 Overview of “Black Friday” in the US

“Black Friday” is the fourth Thursday of November in the United States, the day following Thanksgiving Day. Since 1932, it has been regarded as the beginning of the Christmas shopping season in the US²⁸. Now, it is a world-famous annual shopping carnival in countries of US, Canada, UK, Mexico and other countries (but here we only talk about this activity in the US). On that day, most major retailers open very early, more recently during overnight hours, and offer promotional sales. Consumers often go to stores and queue out of the door on the previous night, waiting for the opening of the stores in the next early morning even in the midnight.

When people mentioned “Black Friday”, another day won’t be ignored is the “Cyber Monday”, the next Monday after the “Black Friday” weekend. Retailers noticed that many consumers, who were too busy to shop over the Thanksgiving weekend or did not find what they were looking for, shopped for bargains online that Monday from home or work. Then they created this “Cyber Monday” to persuade people to shop online, and now it the biggest online shopping day of the year in the US.

According to Adobe, in 2015, “Black Friday” brick-and-mortar sales were \$10.4 billion, dipping slightly from the \$11.6 billion in the previous year. Shoppers spent \$2.74 billion online on Black Friday, an increase of 14.3% over 2014. Adobe also reported that \$3.07

²⁸ Wikipedia. [https://en.wikipedia.org/wiki/Black_Friday_\(shopping\)](https://en.wikipedia.org/wiki/Black_Friday_(shopping))

billion was spent online on Cyber Monday, a 16% increase over last year, among which 26% of sales – \$799 million – originating from mobile devices²⁹.

5.2 Similarities and differences between the “11.11” phenomenon and “Black Friday”

5.2.1 Similarities

Both are nationwide shopping festivals with a wide range of influence in and out of the boundary

Although the two events happen in different countries and different hemisphere, both of the two activities are the year-end annual shopping carnivals. On each specific day, all the participating merchants launch various sales promotion activities, attracting the consumers' attention. Also, both the events are nationwide, attracting numerous common participants, and the participants are full of passion to the events. Both the two shopping festival have a far-reaching influence on other countries and regions all over the world. With a long history, “Black Friday” has been popular among countries of US, Canada, UK, Mexico and many others. In the meanwhile, “11.11” shopping festival also has begun to have a certain influence in countries and regions of southeast Asia, Japan, and South Korea, and gradually affects Europe and the United States and other countries, despite its “young age”.

5.2.2 Differences

Leading by different kinds of companies

“Black Friday” is led by the traditional retailers. According to the data from market research company comScore, on “Black Friday” in 2015, the top five US Web properties

²⁹ Sales Report: 2015 Thanksgiving Day, Black Friday, Cyber Monday. Marcia Kaplan.

<http://www.practicalecommerce.com/articles/94777-Sales-Report-2015-Thanksgiving-Day-Black-Friday-Cyber-Monday>

are Amazon.com, Walmart.com, Best Buy.com, Target.com and Apple.com, among which four of them are traditional retailers besides Amazon.

By contrast, the leading companies in “11.11” shopping festival are mainly platform operators. The dominant player is Alibaba Group – the biggest platform operator in China even the world, and other following companies include JD.com, Amazon.com, Dangdang.com, Suning.com, and so on. Even though Suning was a traditional retailer in home appliance industry before, compared with the 130 million Page View (PV) of Tmall.com, the 7 million PV of Suning seemed insignificant.

Happening in different shopping places

In the US, “Black Friday” mainly takes place in brick-and-mortar stores. Consumers go to queue out of the stores early before they open, waiting to rush into and snap their favorite goods. In recent years, the online shopping proportion in “Black Friday” grew up along with the development of e-commerce. According to data from Custora, online shopping accounted for around 21% of the total transactions, among which 36% come from mobile devices or tablets.

In contrast with the “bumping elbows” in the US, the “11.11” shopping festival in China is another scenario of “spastic hands”, since all transactions happen in “11.11” are online and all consumers do their shopping spree by personal computers (PCs), mobile phones and tablets, of course, with their hands. According to data from Alibaba Group, 68% of the total transactions in Tmall.com come from wireless client devices.

Different contributions from social media

Besides the two main differences mentioned above, the social media contributions to each shopping festival are different, too. The social media contribution to “Black Friday” is not obvious, although social media in the US is quite developed. According to data from IBM Benchmark, on “Black Friday” transactions imported from websites of Facebook, Twitter only accounted 0.34% of the total volume, and the figure is 0.63% normally. However, according to data from Hitwise, 2.5% of the PV on Taobao.com during “11.11” shopping festival is from Weibo.com (the “Chinese Twitter”). And from

the comparative data, we can see that the "11.11" event has a closer connection with the social media.

In addition to all differences we talked about, other factors might also be relevant, such as the distribution, discount efforts, the main consumer groups, mobile payment proportion, the development trends, etc. Moreover, a comparison study of the "11.11" shopping festival and the "Black Friday", data permitting, will be helpful to the deep understanding of these two big sales event, as well as to various shareholders.

Chapter 6: Conclusion

At present, China's economy is undergoing a transformation and the e-commerce in China has continued its vigorous development, and the "11.11" phenomenon is a special product which was born in this special period. It provides benefits and convenience for the consumers and is sought after by the consumers. It also provides opportunities for the related service industries, such as express, logistics, payment and so on, to improve their services, increase their competitiveness and better serve the customers. In addition, the "11.11" phenomenon is a heavy blow to the traditional physical stores, and it grabs the clients from the physical stores and makes their operation performance even worse.

The "11.11" shopping festival has achieved great success till now, but it has many problems and challenges as well. With the further development of the Chinese economy and the improvement of science and technology, what's the future of this special phenomenon? Will the "11.11" continue its glory or step to decline? Let us wait and see what happens.

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