

ASIA PACIFIC

# TRUSTED SOURCE

*Chinese consumers' trust issues are driving  
a social commerce explosion*

Words JACK PORTEOUS



On 16 July 2008, 16 babies in Gansu province were diagnosed with kidney stones. The source of the issue was quickly identified as infant formula contaminated with the chemical melamine, which producers had been using to cheat food standards and falsify the protein content of the products. By December there were 290,000 affected children, of whom more than 50,000 had been hospitalised.

As a student learning Chinese in the UK while this was unfolding, I remember Chinese friends telling me about the latest developments with horror as the situation got worse and more companies were implicated. I also distinctly remember a friend buying all the formula they could in Tesco and sending it back to family members with children.

This national tragedy thankfully led to much-needed reform of food inspection and standards, but the ripple effects of this crisis spread far and wide. In the field of ecommerce, the act of my friend looking out for relatives is widely cited as the starting point of the

mass adoption of *daigou* ecommerce.

*Daigou* literally means 'buying on behalf of'. It's the practice of expat Chinese around the globe selling international products on Taobao or other ecommerce channels – a vast global network of entrepreneurs filling gaps in availability and trust. The categories which flourished were driven by those requiring a high level of trust – infant

formula and other products for children such as car seats, skincare products and some foodstuffs were especially popular. This trend continued – by 2018 it was estimated that around 80% of formula made in Australia was destined for China, for example.

It is this deep-seated issue of (mis)trust which is again driving seismic changes to China's ecommerce industry in 2022. Around 90% of ecommerce sales happen on four leading marketplaces, but consumer trust remains staggeringly low – with the best-rated platform scoring just 39/100 on 'trust in product authenticity' in a 2019 survey.

This trustworthiness gap means recommendations from friends, family or other credible sources are incredibly important as part of the purchasing journey – and are reflected in the average eight touchpoints required by a Chinese consumer before making a decision (double the number you see in most markets). This journey often takes them through multiple social platforms, online and offline locations, brand official websites, chat boards and review

## Inside...

- ◆ China has experienced a massive decentralisation of ecommerce
- ◆ Private individuals are key to the cautious Chinese consumer
- ◆ Pre-sale customer service is an important part of the journey
- ◆ Social commerce will vary in meaning market to market



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sites. For an outsider, gaining brand understanding and then inhabiting that process is challenging – and expensive.

It was always assumed that as international brands rushed to join major platforms like Tmall, global trust would be established, the *daigou* trade would be replaced and the consumer journey would rationalise. While the rush into China happened – Tmall Global added 5,000 international brand ‘flag-ship stores’ in 2020, taking its total to more than 25,000 – the trust didn’t quite follow. Now, cultural undercurrents and regulatory headwinds are combining with challenger platforms to fuel the growth of social commerce.

### BRIDGE THE TRUST GAP

What is social commerce? I tend to think of it as word-of-mouth or recommendation-driven sales, where the vendor is not the brand owner but a friend, family member, influencer or celebrity. It integrates buying and selling into everyday life, offering something different to the traditional ecommerce purchasing journey, and crucially is bolstered by community, connection and trust. In slightly more quaint terms, it’s Avon, Tupperware or Ann Summers parties for the 21st century – superpowered by digital and social technology.

In the context of China, social commerce includes boutiques on Taobao run by private individuals; livestreaming stores on short-video platforms Douyin (TikTok) or Kuaishou; and key opinion leader (KOL) blogs, with their associated ecommerce mini-programs on WeChat. There are also buying groups on Pinduoduo, and sales through private group chats on WeChat, as well as other instant messaging apps. It’s a vast decentralisation of ecommerce: sales topped 2tn RMB in 2020 (£230bn) and are estimated to have grown further by almost 50% in 2021.

The ecommerce company iDS BuyBuyBuy, run by Chinese KOL Yu Xiaoge, is an example of social commerce on steroids. Yu was the youngest ever editor-in-chief of *Harper’s Bazaar China*, and became one of the most followed people on WeChat – known for engaging content, and thorough, professional skincare tips and regime recommendations. When she launched her ecommerce store on a mini-program attached to her WeChat



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account, it quickly grew into one of the largest stores on the platform.

Her sales are driven by more than just the regular content and her celebrity status – the company also manages hundreds of WeChat groups, full of consumers and followers of the account where they can have a direct dialogue with a customer service representative. Here pre-sale customer service is the norm – with customers able to ask in-depth questions about ingredients in the products and their suitability for skin types, and receive personalised advice about which products are best suited to them.

Left and below ByteDance’s Douyin (known as TikTok outside of China) has become a key social commerce platform



This intimate relationship with customers allows social vendors to overcome the trust gap, and foster a sense of community which keeps fickle consumers loyal to the channel.

### POWERFUL PERSONALITIES

To see this community-building in action, simply watch a video of a livestream on ByteDance’s Douyin platform – the short-video platform known as TikTok in the West. These marathon shows – lasting anywhere from three to 12 hours – are increasingly high-budget entertainment, with lighting and sound ↗

IT REMAINS TO BE SEEN HOW THIS HITHERTO UNIQUELY CHINESE PHENOMENON WILL TRANSLATE TO MARKETS BOTH EMERGING AND ESTABLISHED



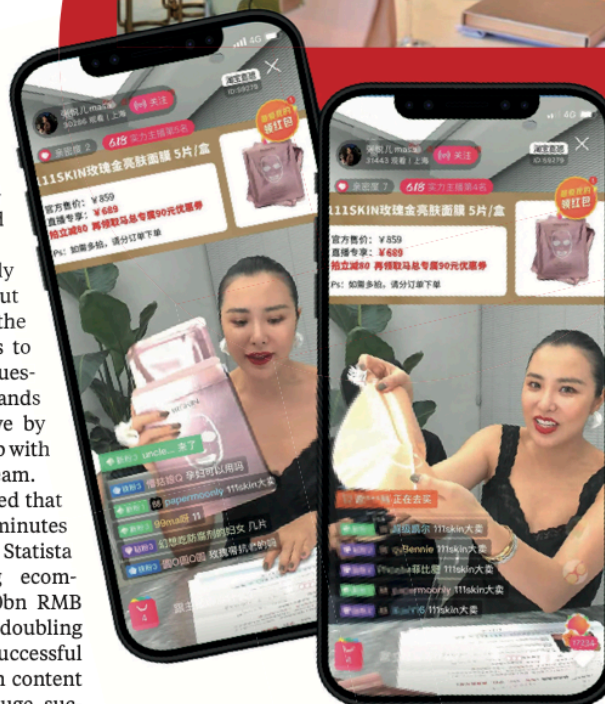
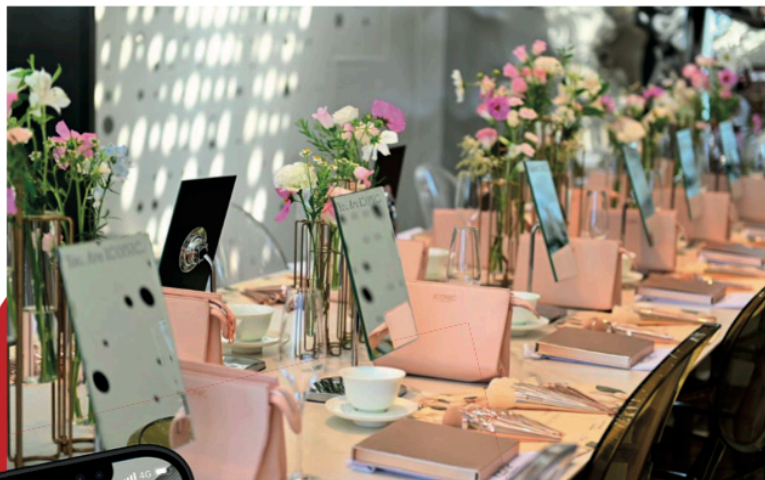
teams delivering professional content, and charming, garrulous hosts building loyal followings through credible recommendations and amazing offers.

On screen you'll see not only the host and their assistants, but clouds of emojis flying across the picture as the audience reacts to the content, and a stream of questions about the products and brands which are either answered live by the frenzied host, or followed up with in the chat by the production team.

In 2020, Douyin data showed that users spent an average of 88 minutes per day on the app. Meanwhile, Statista estimates that livestreaming e-commerce on Douyin topped 800bn RMB (£93bn) in 2021, more than doubling from its 2020 figure. The successful conversion of engagement with content into paying customers is a huge success for ByteDance in their monetisation of the platform – and in mid-2021 they opened the doors to international merchants on the platform via cross-border e-commerce.

Meanwhile, ByteDance are taking their learnings from China and applying them to TikTok globally. TikTok Shop has landed in the UK and Indonesia, and it remains to be seen how this hitherto uniquely Chinese phenomenon will translate to markets both emerging and established. Accenture is predicting a 'social commerce revolution' about to sweep the globe – but due to its nature as a 'social' medium, what this means will vary by market and by culture.

I was last in China in October 2019, pre-pandemic. On that occasion I visited



**Above** Brands gain traction by hosting events for key opinion leaders (KOLs) **Left** Livestreaming on Taobao, China's online shopping platform

Nike's Innovation Centre on Shanghai's bustling Nanjing Road, where consumers could trial trainers in a digital activity area aimed at helping them get the perfect fit. I saw Alibaba's implementation of its 'new retail' revolution through its Hema grocery offering and partnerships with retailers like Starbucks and more. It seemed that the future course of commerce was set firmly by Alibaba and JD's vision for a centralised customer data store, leading to seamlessly integrated online and offline experiences. This would have cemented the dominance of China's big-tech, and lent itself to large brands prospering.

Since then, the world has changed enormously. China has long been presented to Western marketers as a 'platform' e-commerce market – driven by the dominance of Alibaba's Taobao and Tmall, and the Tencent-backed JD.com. The received wisdom needs updating: it seems increasingly true that this was in spite of consumer forces rather than because of it – and greater innovations in social commerce look set to change the face of China's e-commerce market into 2022 and beyond. ◊

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