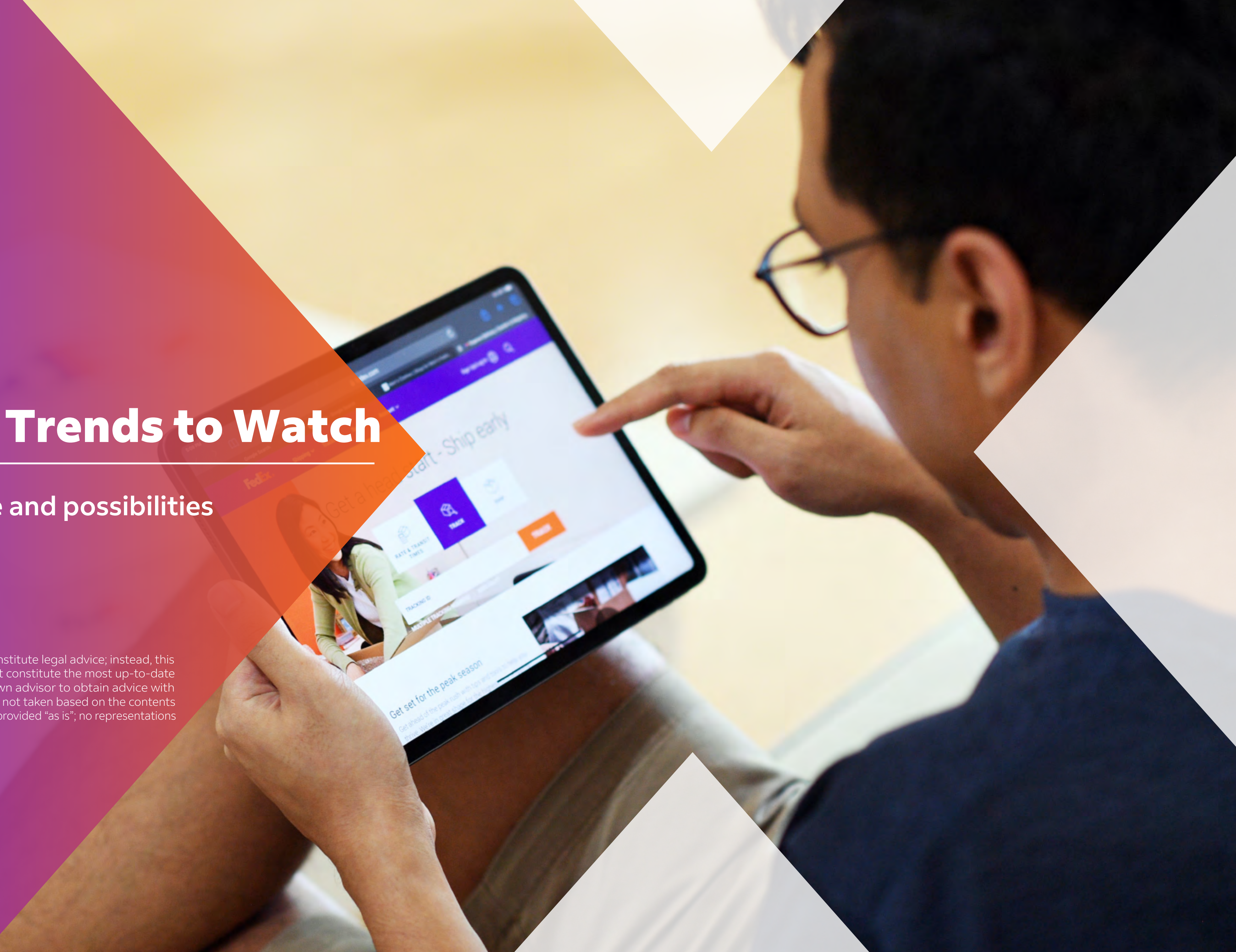
FedEx Express

E-Commerce Mega Trends to Watch

Explore the future of e-commerce and possibilities for your business



Where Are We?

The world changed for both good and bad in 2020. The **digital transformation of economies** is taking shape and, in turn, changes how consumers are purchasing goods, the **interaction of companies**, and **how businesses are structured**. Moreover, new data flows enable countries and companies alike to increase operational efficiency, improve living standards in cities, and provide better access to public services.

Why Is China Worth Watching?

Although the COVID-19 continues to spread globally and brings uncertainty and instability to the international landscape, China's economy continues to recover from the pandemic, realizing an 18.3%[1] growth in Gross Domestic Product (GDP) in 2021 Q1 compared with 2020 Q1. Given the potential of the population and economic development, China is in position to become an essential part of the world's economy. According to the China Internet Network Information Center, as of December 2020, the number of Chinese internet users had reached 989 million[2], and the internet penetration rate had reached 70.4%[2]. With such a vast number of consumers coming online and reinventing digital life, the power of the internet can influence the course of development for any trend. No region better illustrates the emergence of digital transformation than China.

What Are Megatrends?

Megatrends are **long-term shifts in behavior or attitudes** which create a global impact across multiple countries. Successfully identifying, analyzing, and acting on megatrends is essential for success in consumer markets. The world is changing quickly, and it is increasingly challenging to keep up with competitors as technology spurs both the rate of and access to innovation.

During this change, it is difficult for companies to understand why industries are evolving in the way they are today, much less predict how they will develop into the future. Megatrend analysis allows companies to build **a proactive, long-term strategy** rather than reactive, making sense of where they stand today and ensuring they have a plan to remain relevant moving forward.

This **Digital Megatrends in China White Paper** highlights the seven most significant **digital-relevant megatrends occurring** in China. The White Paper incorporates sub-trend analysis under each megatrend, global assessments in terms of the trend development in other regions around the globe, and implications for the logistics industry.

Source: 1. National Bureau of Statistics of China; 2. The 47th China Statistical Report on Internet Development published by the China Internet Network Information Center in February 2021

*Since the relevant data/research on China of this paper is solely based on and associated with Chinese mainland, for the benefit of this paper China refers only to the territory of Chinese mainland

What Are The Seven Most Significant Digital Megatrends In China?

Experience More in China means exploring new concepts, business models, and lifestyles. Consumers are increasingly tech-savvy and looking for a unique shopping experience and products and increasingly prefer to spend money on experiences over acquiring things, especially in developed markets.

Shopping Reinvented reflects how economic and technological shifts have rewritten the shopper journey holistically. Today, shopping is a journey whose purpose is not just buying but relationship building. Consumers are redefining shopping because they expect brands/businesses/retailers to satisfy their needs and values by offering a unique, convenient, and technologically advanced experience.

Smart Cities and Smart Homes refer to the interconnectedness of things and products. Homes manufactured smarter are highly customized to the homeowner's preferences, with real-time feedback/adjustments to the external environment, connection to a central hub, or management of devices.

Connected Consumers use various devices and interfaces to connect to the internet to interact with digital content, services, and experiences. This digital connectivity has altered all aspects of life. Staying relevant has never been more challenging for businesses, given the rapid innovation driven by this widespread connectivity and related technologies.

Shifting Market Frontiers As some areas of the globe become over-farmed, over-populated, or otherwise reach their maximum potential, others gain distinction for their unexploited potential.

Sharing Economy The increasing presence of shared products or service models is gaining popularity among consumers. It is increasingly important to consumers to access an item and not necessarily own a personal version of it, driving a sharing economy and threatening direct ownership.

Buying Time Time is increasingly a crucial commodity that more people are willing to buy (or spend to retain). About more than just convenience, it is also about outsourcing tasks.

CONTENTS

Ready to dive deep with us?

Digital transformation is not just for the big players. It can happen anywhere, at any time, and to anyone in China. In this section, we invite you to explore how digital transformation shapes the business world in China.

We will walk you through each of the seven megatrends in the following steps:

- Overview and drivers
- Sub-trends
- Regional aspects
- Implications for the logistics industry

01 Experience More

China is exploring new concepts, business models, and lifestyles. In addition to products, consumers are also looking for an experience that engages them more physically and mentally.

KEY DRIVERS BEHIND THE MEGATREND:

China's extraordinary economic boom has accelerated the pace of urbanization. According to the Seventh Population Census conducted in 2020, about 63.9%[1] of China's total population lives in cities. Rising urbanization has increased consumers' access to products and services with enhanced brand interaction. Meanwhile, with the satisfaction of basic needs, Chinese consumers increasingly seek to fulfill and diversify their leisure time. Expenditure on leisure and recreation signals consumer intent to experience more. The growth in spending on leisure and recreation from 2015 to 2019 in China (+10.6%[2]) dramatically exceeds that of global (+3.8%[2]). As we see from the market size of the travel industry, China has recorded 8.7%[1] CAGR growth from 2015 to 2019. The travel industry's substantial growth has given consumers more choices for new experiences in domestic and international scenic spots.

+ 5.8 percentage point

Increase of urbanization rate from 2015 to 2020 in China

+ 10.6%

CAGR of expenditure on leisure and recreation from 2015 to 2019 in China

+ 8.7%

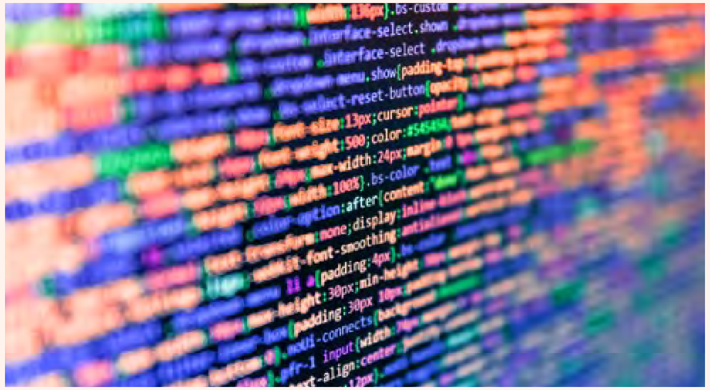
CAGR of the travel industry's market size from 2015 to 2019 in China

Source: 1. National Bureau of Statistics of China; 2. Euromonitor research based on desk research and trade interviews.

Experience More means that consumers seek a comprehensive experience throughout the purchasing journey. Engage virtually, immersive experience, and innovation communication are the three most essential sub-trends identified under Experience More.

Engage Virtually

Brands engage consumers virtually in an online environment with approaches such as live streaming.



Immersive Experience

Technology-enhanced experience has captured the attention of multiple industries, such as travel, real estate, and game.
Brands leverage new technologies, e.g., Virtual Reality, to provide a more immersive experience in shopping, travel, and gaming.

Innovative Communications

Corporations utilize new marketing techniques such as digital celebrities to bond with consumers.

1 ENGAGE VIRTUALLY

Tangible goods will always be in demand. However, the thrill of ‘experiencing’ something is beginning to outweigh the traditional buying cycle ending in purchasing goods. To provide a seamless consumer service experience aside from conventional offline engagement, Chinese brands also try to engage consumers virtually in an online environment.

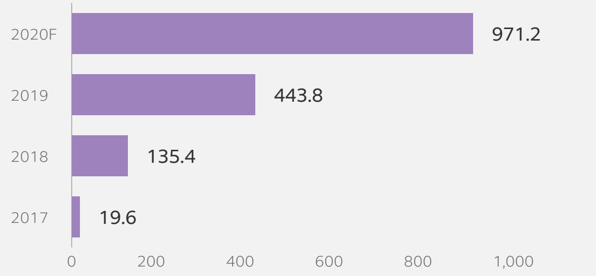
617 million[1]
Of live-streaming users as of Dec 2020

+57 million[1]
As compared with Mar 2020

388 million[1]
Of live-streaming e-commerce users as of Dec 2020

+123 million[1]
As compared with Mar 2020

Live-streaming E-commerce GMV in China[2], Billion RMB



WHAT DOES ENGAGE VIRTUALLY LOOK LIKE IN CHINA?

Virtual engagement is growing in China as leading e-commerce and social media players make heavy investments. **Live-streaming e-commerce, dedicated online chat groups, and customized virtual assistants are the three most trending ways companies engage with customers.**

Live-streaming is a new way of direct, in-time interaction and an increasingly crucial sales channel in China. In 2016, live-streaming was first combined with e-commerce. Shortly after, top short video platforms also entered the field, applying live-streaming to their platforms.

COVID-19 has further fueled China’s live-streaming business since 2020. With the lockdown keeping consumers at home, live-streaming became a way to shop. As of December 2020, the number of live-streaming users in China reached 617 million[1] , accounting for 62.4%[1] of the entire internet users. Among them, the number of live-streaming sales users reached 388 million[1] , accounting for 39.2% of the total internet users. E-commerce live-streaming GMV in China reached 443.8 billion RMB[2] in 2019 and was estimated to reach 971.2 billion RMB[2] in 2020, representing a 119% y-o-y growth.

Live-streaming is an efficient tool for connecting consumers and brands and enhancing the shopping experience where popular and trusted KOLs and celebrities directly interact with consumers as facilitators.

Meanwhile, **dedicated online chat groups** on social media have become essential for brands to attract and manage private customer traffic. Brands/retailers consider online chat groups an effective way to communicate with consumers directly. Some brands have introduced online chat groups where brand staff can promote products and collect customer feedback in the group chat. Brands consider online chat groups vital to interact with customers directly and benefit products' future innovation.

E-commerce platforms provide consumers with tailored promotion information and Q&A service by **virtual AI assistants**. Customers automatic product recommendation messages based on previous shopping history can be analysed and sent to customers by virtual assistants, which improves customer stickiness for brands.

Source: 1. The 47th China Statistical Report on Internet Development published by the China Internet Network Information Center in February 2021; 2. East Money News; 3. Euromonitor research based on desk research and trade interviews.

2 IMMERSIVE EXPERIENCE

Using technology as an enabler, brands strive to provide an immersive experience that appeals to the senses more. The pandemic has re-orientated the way that consumers shop, including how they discover and eventually purchase. More businesses experimented with immersive virtual experiences during the crisis, using this approach to drive engagement with consumers who were spending more time at home. Virtual experiences will become more commonplace in the digital-first, post-pandemic era.

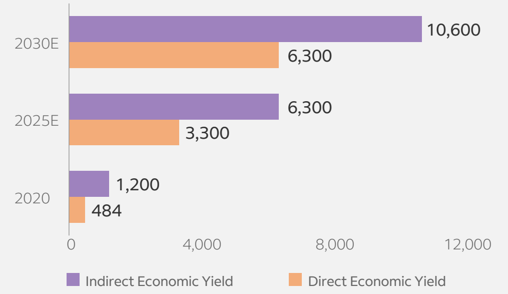
792,000[1]
5G base stations in China as of the end of Feb 2021

+74,000[1]
As compared with the end of Dec 2020

260 million[1]
5G terminal connections in China as of the end of Feb 2021

+60 million[1]
As compared with the end of Dec 2020

Direct/Indirect Economic Yield of 5G in China[2], Trillion RMB



WHAT DOES AN IMMERSIVE EXPERIENCE LOOK LIKE IN CHINA?

VR technology is introduced in multiple industries in China to enhance consumers' experiences, including FMCG, housing, gaming, and even exhibitions/fairs.

As the world's leading 5G technology rolls out in China, VR allows e-commerce customers to **preview products or experience services** even at home and provides a better experience. For example, by attending a live-streaming, viewers could view products up close and from different angles around the store simply through switching camera angles. It is an immersive interactive experience that can make users feel as if they are handling the products.

The tourism and real estate industries are also becoming significant users. Travel experiences will be increasingly connected to technology, offering more visual and convenient travel guidance throughout. For example, VR + Tourism enables consumers to experience local scenery virtually before designing or selecting travel plans.

VR technology is also deployed more widely in diverse commercial scenarios for an improved experience, e.g., gaming, exhibitions and fairs.

The games industry has been leading in user-experience innovation. As a result, demand in China has expanded **for VR/AR game headsets and software** for in-home use and VR game centers.

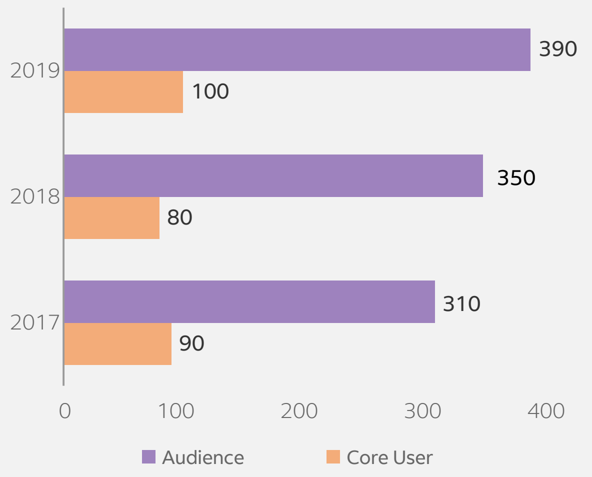
China is also rethinking transforming physical events into **virtual exhibitions and fairs**. New exhibition formats of a virtual art show, virtual versions of traditional museums, and commercial fairs 'on the cloud' all provide experiential transformation.

Source: 1. Ministry of Industry and Information Technology of China; 2. China Academy of Information and Communications Technology.

3 INNOVATIVE COMMUNICATION

An increasing number of companies manage customer communications using various techniques to provide added experiences and target consumers and audiences.

User Base of the Animated Industry in China[1], Million



WHAT DOES INNOVATIVE COMMUNICATION LOOK LIKE IN CHINA?

Brands from the beauty, apparel, and packaged food industries consistently make efforts in communication's innovation. **Virtual endorsers, co-branding, and KOL promotion are the top three popular ways brands get connected with their target customers.**

Having been born and growing up in a digital era, the younger generation holds different opinions regarding virtual and real-life.Virtual endorsers are taking on the traditional roles held by people on social media. In 2019, the animated industry in China attracted an audience of 390 million[1], of which 100 million[1] were core users. Brands find that working with virtual celebrities is an effective way to connect with younger consumers. Virtual idols, as characterized by more distinctive personalities and looks, are looked up to and trusted by young consumers and have become an efficient communication tool.

As Gen Z's purchase power and demand for more interactive and immersive entertainment experiences grow, virtual influencers' role in the media will likely continue to expand.

Co-branding has also rapidly developed in China, **especially between local and international brands**, to create buzz. The cooperation between two seemingly unrelated brands effectively attracts attention. Famous IPs, traditional cultures, interesting presentation forms and other kinds of innovation are gaining increasing attention.

With the internet changing traditional social circles, **KOL marketing** is becoming extremely important in China. Brands consider KOLs an essential voice to consumers and now consider KOL promotion a standard part of marketing communications. Apart from KOLs with the biggest follower base, 2020 also saw more brands recognizing the value of micro-KOLs. Also called KOCs (Key Opinion Customers), they convey greater authenticity and seem more "real" to audiences.

Source:1. IQIYI-"Virtual Idol Observation Report 2019"

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

Experience More is a prevalent trend in relatively developed regions such as North America and Europe but is more **offline-driven**. E-commerce and technology-driven experience seem to be rapidly rising in **China and APAC**.

APAC

The rapid growth of e-commerce facilitates virtual engagement such **as live-streaming sales** to support seller-to-buyer interactions. Influenced by Japan, VR games and technology also spread quickly into the leisure space in exhibitions and game centers. Meanwhile, ACG (animation, comic, game) culture is also well-developed.

EUROPE

Like APAC, the Experience More trend is also observed in Europe and showing great potential. Leading retailers and brands have started to offer live video shopping services. Some brands have recreated the in-store experience virtually. However, a virtual endorser is rare, but consumer communications through KOLs and co-branding have become a common practice by brands.

NORTH AMERICA

Engaging virtually manifests itself primarily in AI **customer service** for self-service and Q&A, In addition, AR/VR technology is highly adopted in retailing, such as virtual fitting rooms and AR makeup mirrors. However, a virtual endorser is rare, but consumer communications through KOLs and co-branding have become a common practice by brands.

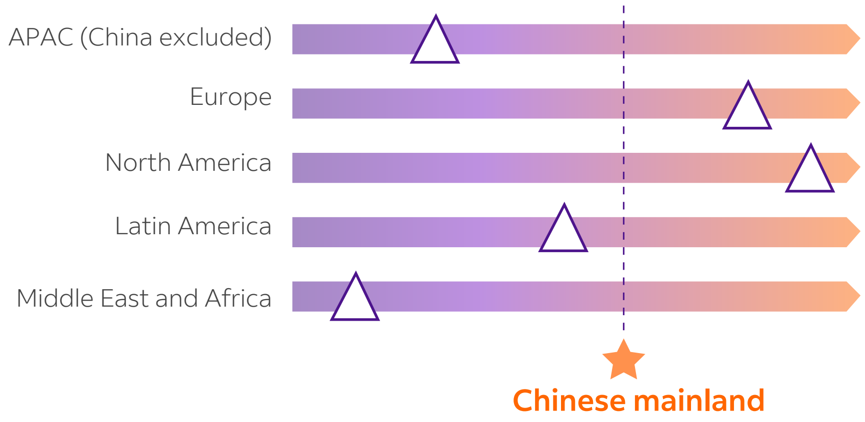
LATIN AMERICA

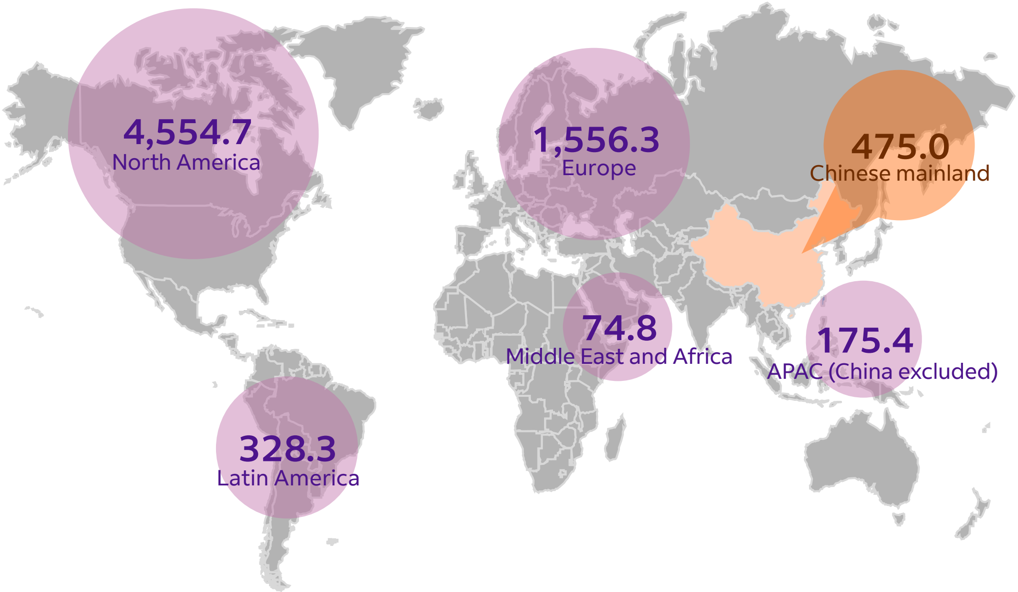
Minimal cases like an AI-driven online experience for beauty products are observed. The trend is still at a very early stage.

MIDDLE EAST AND AFRICA

Only a niche trend is seen in tourism, such as virtual safari campaign or a virtual museum visit in South Africa.

Regional expenditure on travel, leisure, and recreation per capita 2020 in USD





Source: Euromonitor research based on desk research and trade interviews.

Experience More will continue making a substantial impact on e-commerce development in China and the world, especially in economically developed regions.

CHINA

Tools that allow brands to interact with consumers in an online environment are **upgraded continually** for an **enhanced and technologically advanced experience.**

At the same time, more brands will use the power of virtual tools proven to be highly effective in today's commercial space in China, such as live-streaming.

GLOBAL

Despite **a relatively early development stage**, the world does witness **an increasing adoption of digital experience enhancement**, such as 3D online shops and AI-powered recommendations to help brands connect with consumers, especially in APAC, Europe, and North America.

Technology such as VR/AR will extend its applications to more scenarios.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 More responsive logistics system with a leveled-up capability

The rise of live-streaming necessitates a more responsive logistics system that can accommodate a significant number of orders in a short period to ensure smooth e-commerce business operations.

2 Flexible and customizable delivery for an enhanced experience

When shopping online, consumers are seeking a seamless experience where deliveries adapt to their schedules. Increasing delivery flexibility to fulfill consumer demand will become commonplace.

02 Shopping Reinvented

Broad internet penetration and a highly developed digital space redefine the consumer journey in China. As a result, most consumers in China are enjoying a convenient and technologically advanced shopping experience.

KEY DRIVERS BEHIND THE MEGATREND:

Consumers in China are becoming more tech-savvy and open to a digital-driven shopping journey and a more elevated shopping experience. 57.9%[1] of the Chinese population bought an item or service through mobile at least weekly in 2020. The e-commerce channel's growth reinvents consumer shopping habits from conventionally offline to online, attracting consumers by its product options and convenience. The e-commerce retail value in China witnessed a 25.9%[1] CAGR growth from 2016 to 2020. With the penetration of mobile-end payment, the number of e-payment users reached 805 million[1] by mid-2020. The rapid increase of e-payment penetration has diminished using cash and diverts shopping to being highly mobile-centric.

57.9%

Of the Chinese population bought an item or service through mobile at least weekly, 2020

+25.9%

CAGR of e-commerce retail value from 2016 to 2020 in China

805M

Users of e-payment in China, mid-2020

Source: 1. Euromonitor research based on desk research and trade interviews.

Shopping Reinvented means consumers are switching from conventionally offline to online, driven by the convenience and quality of online purchasing. A seamless shopping experience, omni-channel marketing, and offline shopping upgrade are the three most important sub-trends identified under Shopping Reinvented.

Seamless Shopping Experience

Online and offline shopping channels work together to provide consumers with an effortless cross-channel shopping journey.

Omni-channel Marketing

Brands use a combined digital-physical syndicated marketing ecosystem where channels work together to create a unified message.

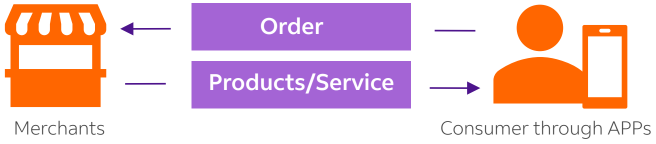
Offline Shopping Upgrade

Traditional offline outlets embrace digital transformation, such as AI assistants, for better capability and enhanced experience.

1 SEAMLESS SHOPPING EXPERIENCE

Online and offline are no longer separate channels. Consumers can obtain offline products and services seamlessly online and the other way around to enjoy an effortless shopping experience across channels.

O2O Operations Model



Consumers order online, and consumption happens in offline stores.

New Omni-channel Retailing Operations Model

- **Supplements offline traffic** when consumers order online for in-store inventories.

- Offline stores encourage consumers to download the APP/scan QR code to p**ersuade consumers** to shop **online**.

WHAT DOES A SEAMLESS SHOPPING EXPERIENCE LOOK LIKE IN CHINA?

Driven by the developed e-commerce environment and changing consumer shopping habits, traditional retailing channels no longer develop separately. Online and offline experiences can be complementary. **O2O operations, new omni-channel retailing, and smart vending machines are the three most influential sub-trends.**

Business formats covered by **O2O operations** are continually evolving in China. While online has become a vital traffic portal for offline business, multiple industries have adopted the 'online to offline' operations model to enhance efficient customer management.

With the O2O trend flourishing in China, **omni-channel retailing** driven by e-commerce platforms' offline expansion becomes a trend. Chinese e-commerce giants apply their technology in data-driven operations systems to offline stores to build a smooth link between online and offline. The "new retail" concept now has become a reality in China. Under the "new retail" concept, offline stores operate on cutting-edge innovations which allow customers to scan barcodes for personalized recipe suggestions and information on everything available through the store's mobile app. The offline stores also double as a distribution center that delivers fresh produce to customers within about 30 minutes.

Companies strive to provide customers with greater convenience by making offline stores smarter. One good example is convenience stores' smart vending machine on which customers can select items and purchase via QR code. The traditional vending machine is upgraded with an interactive touch screen, digital payment system, and multi-temperature storage space.

The future of grocery retailing in China will realize more comprehensive service offerings and leverage big data to carry out precise online marketing and effective community operations.

2 OMNI-CHANNEL MARKETING

A rising number of brands start to build a marketing ecosystem using traditional and emerging media, e.g., CRM, offline events, and social media. New technologies are introduced to connect different marketing channels.

93%[1]

Of advertisers in China consider that omni-channel advertising delivers better results than a single channel.

59%[1]

Of business clients in China select omni-channel execution as one of the top six elements to improve the client experience.

WHAT DOES OMNI-CHANNEL MARKETING LOOK LIKE IN CHINA?

A complete channel marketing ecosystem, AR facilitated interaction, and experience centers/stores have become the three most trending ways that brands adapt to attract and retain customers.

Most brands and advertisers consider **the complete channel marketing ecosystem** to be effective. About 93%1 of advertisers recognize that omni-channel advertising delivers better results than a single channel. Brands increasingly adopt a holistic approach towards marketing, incorporating digital and offline, and before sales to after-sales.

Emerging online brands, such as beauty brands and coffee brands, have been significantly increasing offline marketing efforts, achieving a marketing strategy that covers not only their online flagship stores, social media, but also offline retailing and offline flagship stores.

To make linking online and offline fun and effortless, brands introduce **AR-facilitated tools**. Consumers scan signs in offline events and get connected to online marketing pages. For example, digital players, such as e-commerce platforms and social media, build **experience centers/stores** to fill the gap of offline touchpoints and achieve full coverage of consumers' shopping journeys. Hence, in China, a cohesive brand image across different media/channels is vital for brands to conduct an effective marketing campaign.

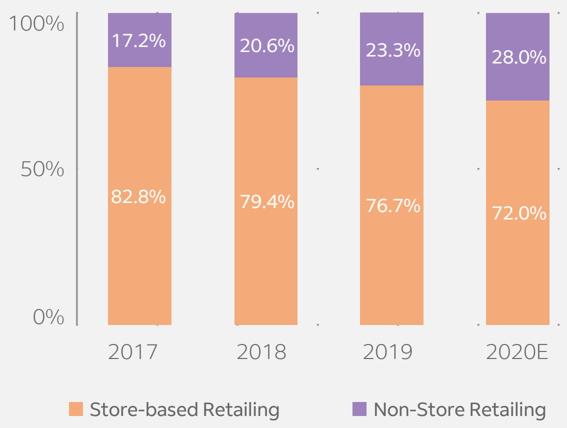
Holistic Marketing Channel Coverage

Source: 1."2020 China Digital Marketing Trends" released by Miaozhen Systems.

3 OFFLINE SHOPPING UPGRADE

For many people, shopping in an offline store is not enjoyable, given the traffic congestion and crowds. If they can find ways to avoid it, they will. Therefore, offline stores are undergoing a digital transformation for an enhanced shopping experience and operations efficiency.

Retailing Value in China[1] , Billion RMB



WHAT DOES OFFLINE SHOPPING UPGRADE LOOK LIKE IN CHINA?

Smart retailing stores, the cloud shelf, and AR makeup mirrors make shopping in offline stores more exciting for customers.

Store-based retailing value accounted for 76.7%[1] of the total retailing value in China in 2019 and continues to lose share. Though people might think that online sales is the channel of the future, brands still believe that the shopping experience in a physical store is irreplaceable. Therefore, brands turn to new technologies to improve store efficiency and the shopping experience to attract customers. Offline is still a prominent channel to build brand image. Offline retail stores undergo a digital transformation based on big data, artificial intelligence, and other technologies.

Furthermore, cloud shelves and AR makeup mirrors are two common elements that brands use to upgrade their offline stores. Brands place cloud shelves in stores so consumers can view available SKUs with detailed information. Cloud shelves are usually a virtual display of products with detailed information and online shopping links. Customers can purchase directly via cloud shelves without walking around to find the product they want. Cloud shelves also have no shelf space limitations and so are welcomed by companies with considerable storage needs.

AR makeup mirrors are popular among color cosmetics see the effect on brands and retailers. Customers can select products and directly their faces without testing lipsticks, foundations, eye shadows, and other cosmetics. Digital transformation will facilitate more efficient and professional interactions with consumers to improve product understanding and the pre-purchase shopping experience, eventually leading to a purchase.

Source: 1. Euromonitor Passport Database.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

Shopping Reinvented is a more significant trend in regions where e-commerce and e-payment have high penetration. **Europe** and **North America** are at the top due to strong e-commerce players embracing digital transformation. However, the **APAC** region is influenced by China, where leading e-commerce players are eager to expand their networks towards southeast Asia.

APAC

There is a growing trend of players enabling merchants to set up online stores easily, especially in Southeast Asia. Rising brands focus their marketing on **official websites** and take an integrated approach to customer engagement **across different channels**.

EUROPE

The seamless shopping experience is adopted by many major supermarkets in Europe. Most color cosmetics brands have made a virtual try-on service available using AR at stores. Marketing becomes more digital and smarter. AI technologies is usually applied to produce personalized digital information for consumers.

NORTH AMERICA

An increasing number of brands adopt online order and offline pick-up options. Major retailers commonly adopt in-store technology, with some of retailers allowing store associates to complete transactions from anywhere on the showroom floor. Marketing efforts are increasingly holistic. Online videos and personalized associate services become more vital than before.

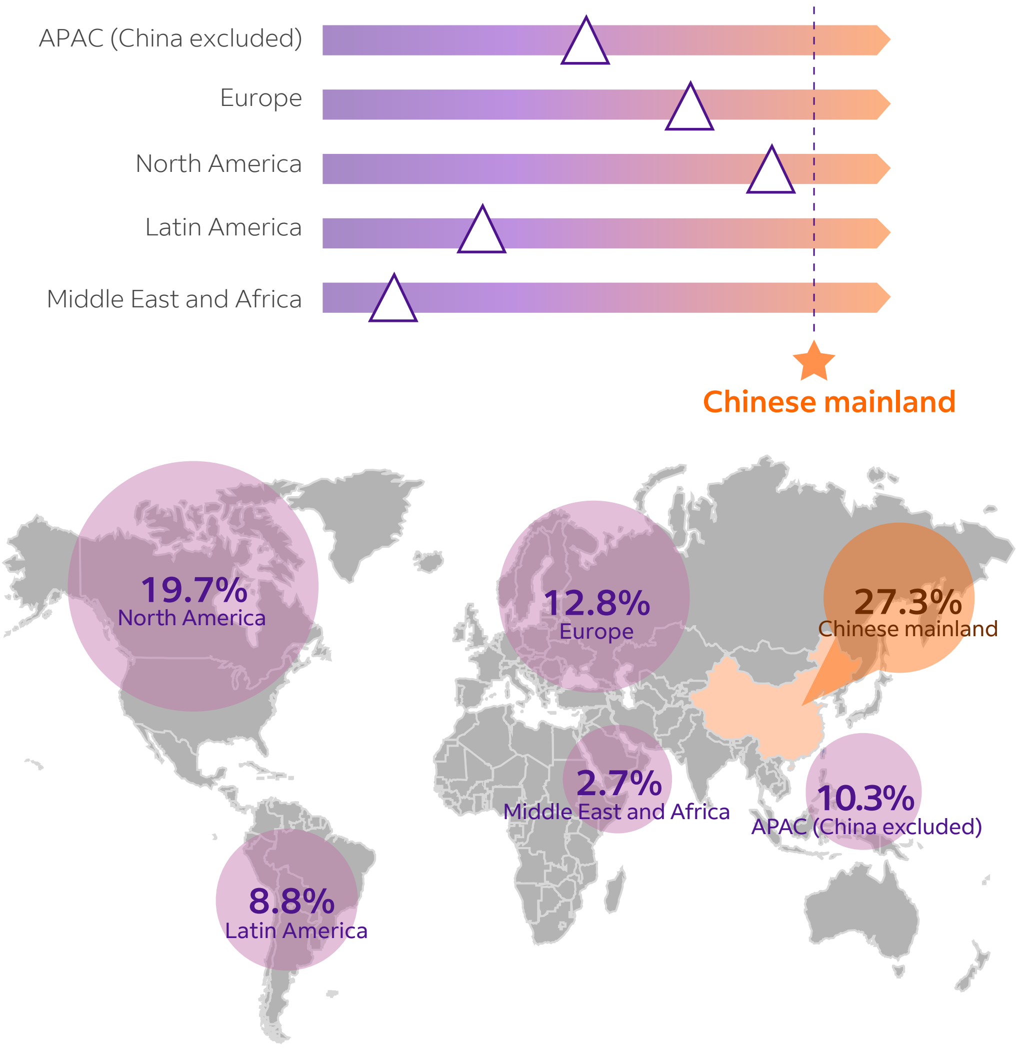
LATIN AMERICA

Related innovation is noticed. Some supermarkets now allows customers to pay for products by scanning QR codes with the supermarket APP in-store. Leading beauty and apparel brands conduct marketing activities across channels with a unified marketing message.

MIDDLE EAST AND AFRICA

The trend is slowly gaining momentum and is supported by retailers' shift towards omni-channel. Leading beauty and apparel brands also conduct marketing activities across channels with a unified marketing message.

Regional proportion of e-commerce retail revenue to total retailing 2020



Source: Euromonitor research based on desk research and trade interviews.

Shopping Reinvented is prominent in China and facilitated by e-commerce development, while offline digital reform is also taking place worldwide.

CHINA

Online to offline integration in marketing and retailing is a relatively mature practice in China that provides consumers with **a seamless shopping experience**.At the same time, technologies that upgrade the offline shopping journey are broadening their coverage.

GLOBAL

Online and offline are still mostly disconnected channels at the global level. However, facilitated by the prolonged pandemic, an increasing number of brands **embrace digital transformation**, especially in regions where e-commerce is gaining presence, such as **North America**, **Europe**, **and APAC**.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Establish strategic collaboration with e-commerce players.

E-commerce is gaining prominence in retailing. Strategic collaboration with leading e-commerce players in supply chain and data will help guarantee more sustainable growth for the logistics industry.

2 Integrated system for online and offline inventory.

Under an increasingly integrated retailing system, the logistics industry also expects to have a more integrated supply system that realizes data sharing.

03 Smart Cities and Smart Homes

Technology development supports the construction of information infrastructure in China, building a more intelligent living environment (in-home, at work, and others) for its citizens.

KEY DRIVERS BEHIND THE MEGATREND:

An expanding 5G user base, popularization of controlling devices, and investment in AI technology drive smart cities and homes.
5G is the 'bridge' connecting the physical and digital world, enabling improved efficiency and the sustainable development of the physical world. The number of 5G users expects to see a 200.0%[1] growth from 2020 to 2025 due to China's rapid pace with 5G technology, creating enormous opportunities for smart home players. In addition, the popularization of controlling devices such as smart speakers and smart TVs has been a catalyst to Chinese consumers embracing connected appliances in the home. The retail value of wireless speakers has seen a 62.0% CAGR[2] growth from 2016 to 2020. Furthermore, autonomous and personalized solutions highly rely on AI technology. Growing AI technology in China has stimulated smart services and appliances.

+200.0%

Anticipated increase of 5G users in China from 2020 to 2025

+62.0%

CAGR of retail value of wireless speakers from 2016 to 2020 in China

40.1 million RMB

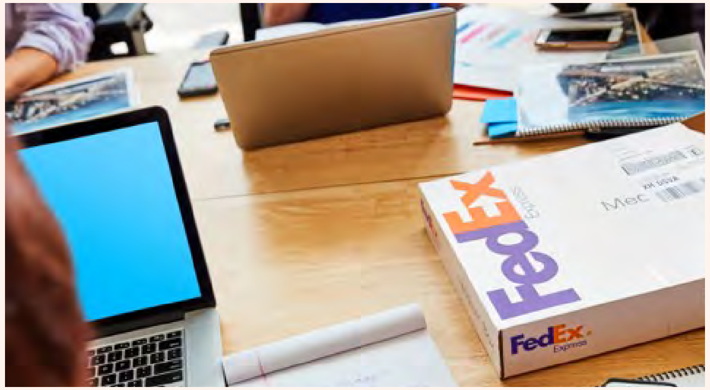
Direct investment in AI technology in China during the first half of 2020

Source: 1. "5G Economic and Social Impact White Paper" published by China Academy of Information and Communications Technology; 2. Euromonitor Passport Database.

Smart Cities and Smart Homes aren't just a dream of the future. Technologies are transforming traditional elements of city life - like commuting, studying, and making a payment. Smart life, education technology, and contactless delivery are the three most important sub-trends identified under Smart Cities and Smart Homes.

Smart Life

Essential life services such as payments and transportation have become increasingly digitized.



Education Technology

New technology enables online education to be more interactive, customized, and intelligent, resulting in comprehensive online education coverage.

Contactless Delivery

Packages, food, and other deliveries are without face-to-face interaction.

1 SMART LIFE

Essential life services, including finance, transportation, health care, and government services are becoming more digitized for higher efficiency and personalized solutions. Smart Life is now everywhere in China.

854 million[1]
Of online payment users in China as of Dec 2020

+86 million[1]
As compared with Mar 2020

853 million[1]
Of mobile online payment users in China as of Dec 2020

+87 million[1]
As compared with Mar 2020

215 million[1]
Of online medical service users in China as of Dec 2020

21.7%[1]
Of total internet users using online medical services in China

WHAT DOES SMART LIFE LOOK LIKE IN CHINA?

Long before COVID-19 impacted our lives, China had already become the stronghold of mobile payment . As of December 2020, the number of online payment users in China had reached **854 million**[1], accounting for 86.4%[1] of the total number of internet users. The number of mobile online payment users reached **853 million**[1], accounting for 86.5%[1] of mobile internet users. Since mobile payment is widely accepted in China, leading platforms extend their business coverage and provide various services online to build comprehensive financial services platforms. They continue to build broader product portfolios and introduce new technology-enhanced initiatives to the market. However, as regulations strengthen, new platforms are anticipated to cooperate with traditional financial systems further as a technology supplier.

When it comes to travel, tickets for public transportation, such as the metro and bus, and scenic spots have also been digitized into QR code or ID card scanning forms.

Apart from financial and travel activities, Chinese consumers are now enjoying the convenience of seeing a doctor online. As of December 2020, the number of online medical service users reached **215 million**, accounting for **21.7%** of the total internet users in China. The government continues to encourage the expansion of **online medical services** and promotes the coordinated development of online and offline medical services. As of the end of October 2020, China had more than 5,500 hospitals that can provide online medical services. **Online Health Care APPs** that provide health care services, including consultations, hospital reservations, online prescriptions, and medicine sales and delivery, are also booming in China.

Source: 1.The 47th China Statistical Report on Internet Development published by China Internet Network Information Centre in February 2021.

2 EDUCATION TECHNOLOGY

The online education industry has become a battleground for technology giants. New technology enables online education to be more interactive, customized, and intelligent. As a result, both supply and demand of online education have rapidly developed across categories and age groups.

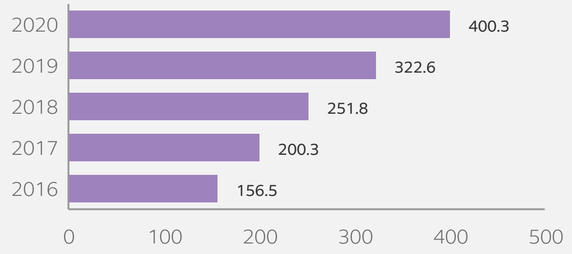
342 million[1]
Of online education users in China as of Dec 2020

+109 million[1]
As compared with June 2019

341 million[1]
Of mobile-end online education users in China as of Dec 2020

+123 million[1]
As compared with Mar 2020

Online Education Market Size in China[2], Billion RMB



WHAT DOES EDUCATION TECHNOLOGY LOOK LIKE IN CHINA?

Online course platforms, questions database/search, and intelligent education facilitator are the three most influential sub-trends changing people's educational habits in China.

Compared with traditional offline education models, **online education** has outstanding advantages. Online platforms provide structured courses in video recordings and live-streaming and usually include AI-facilitated interaction to improve user engagement. As of December 2020, the number of online education users in China reached **342 million**[1], accounting for 34.6%[1] internet users. At the same time, the number of mobile-end online education users reached **341 million**[1]. With the progress in the prevention and control of the COVID-19 epidemic, the number of online education users dropped compared with March 2020 but still increased by **109 million**[1] compared with June 2019.

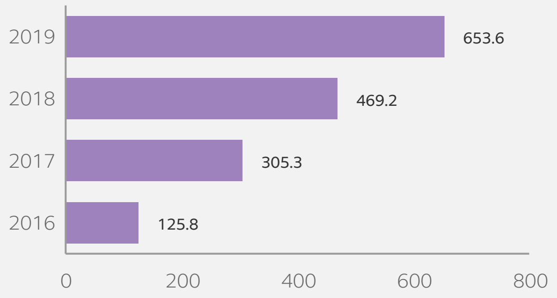
Furthermore, platforms using Optical Character Recognition (OCR) to provide a **question search** or review service allow users to scan a question to find the answer steps in the platform's database or scan their answers to get grading. The technology can also facilitate teachers' work, help in curriculum design, homework assignments, homework review/grading, and track students' progress.

Source:1.The 47th China Statistical Report on Internet Development published by China Internet Network Information Centre in February 2021 . 2: www100EC.cn.

3 CONTACTLESS DELIVERY

The rocket-fast food delivery service in China has saved many small restaurants. Technologies including delivery robots, smart food lockers, and other contactless delivery have been evolving amid social distancing instead of human interaction during the delivery process.

Market Size of Food Delivery in China[1], Billion RMB



WHAT DOES CONTACTLESS DELIVERY LOOK LIKE IN CHINA?

China's delivery service platforms are evolving from **food lockers and parcel lockers to delivery robots** for contactless delivery.

According to Meituan Research, Chinas' food delivery market size reached 653.6 billion[1] RMB in 2019. In such a vast market that relies on delivery, **contactless food lockers** first appeared to improve delivery efficiency and then gained greater attention because of COVID-19 after China's National Health Commission recommended in February 2020 that deliveries limit contact. Leading food delivery platforms have introduced smart food delivery lockers to improve efficiency and support the steady growth of China's food delivery market amid the COVID-19. With food lockers, customers can order remotely – mostly on their mobile phones – and restaurant employees seal the meals in bags and put them in a special locker for pick-up without human contact.

In parcel deliveries that previously would have involved one person handing a package to the other, the courier now puts the parcel in a **smart locker** for recipients to pick up. Recipients collect the package with a pre-sent code and sign off on the delivery. The market for contactless delivery to a single consumer will also continue to expand. In addition, contactless delivery for community group purchase of fresh foods is also set to develop. The future of contactless delivery is promising in China.

Delivery Robots are introduced and deployed to conduct in-building deliveries to avoid contact between the delivery person and the consumer. Restaurants, hotels, office buildings, hospitals, internet cafés, KTVs, and shopping malls have used indoor autonomous robots, and have vigorously promoted them to prevent and control the COVID-19. For example, hotel delivery robots are replacing redundant, low value-added human work such as delivering food, mail, and amenities ordered by hotel guests. However, smart lockers have not yet formed a mature profit model, which needs to be explored further.

Source:1: Meituan Research with China Hospitality Association . 2. Euromonitor research based on desk research and trade interview.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

More technologically advanced regions are undergoing a more robust trend of smart cities and smart homes. AI-enabled smart appliances power smart homes and have a higher penetration in more technologically developed areas. In addition, the prolonged pandemic has fostered an online-driven lifestyle, facilitating the development of online and contactless services worldwide.

APAC

The trend is reflected mainly in transportation and urban construction. For example, Singapore is testing autonomous public transport. COVID-19 has also upended education across the Asia Pacific. Online education Apps enable students to learn from home. Contactless delivery is also on the rise more delivery companies launched contactless delivery options.

EUROPE

The trend is rising as many life services start to move online, such as online medical consultations and online car parking booking platforms. There is also a boom of online education - from sports to the full education curriculum . Contactless delivery witnessed growing demand. Leading players have already established mature locker systems and more retailors are joining this field.

NORTH AMERICA

Smart homes are prominent in this region. Consumers can operate different smart appliances of various brands on one single platform. Meanwhile, there are many emerging online education platformsfor customers to choose from. Driven by COVID-19, contactless delivery is rapidly developing. A leading smart locker provider even reaches 100-million deliveries by smart locker.

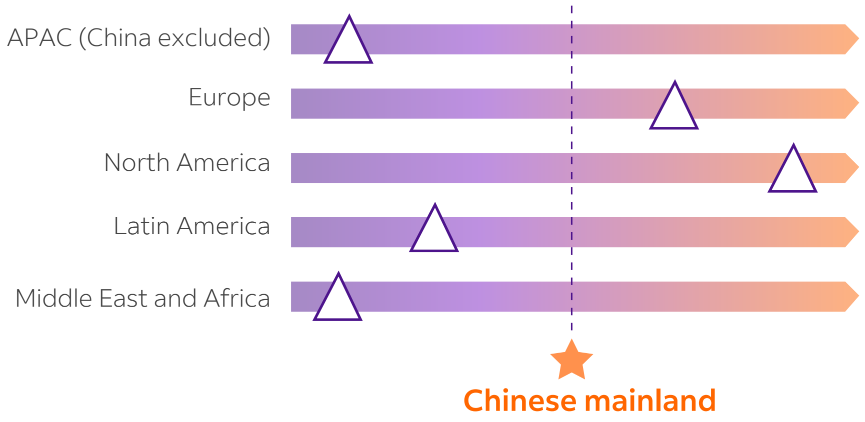
LATIN AMERICA

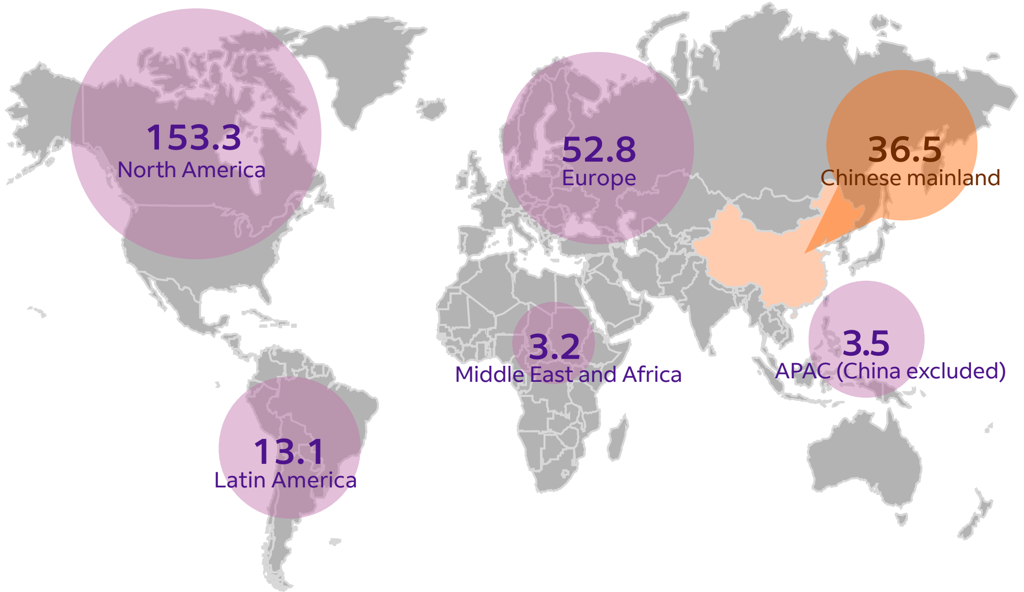
Government and banking APPs are evolving to provide more online services and alternative payments than only credit cards. Contactless delivery has also been realized mainly through placing parcels at an open pick-up point rather than in a locker.

MIDDLE EAST AND AFRICA

The trend is at a very early stage, but financial systems are on the rise.

Regional ownership of wireless speakers per 1000 capita*





* Ownership of wireless speaker per 1000 capita = regional retail volume of wireless speakers/regional per thousand population

While the trend is still premature, the Chinese are modernizing their lives to be smarter, especially in less developed regions.

CHINA

Many life services and infrastructure are operating digitized in China, supported by **the emergence of super APPs** such as Alipay and **established digital-driven lifestyles** among the population.

GLOBAL

Smart Cities and the Smart Homes is a stronger trend in **more technologically developed regions** such as **North America and Europe**. Nevertheless, the principal indication is the adoption of smart appliances at home. 'Smart Cities' is still under development.

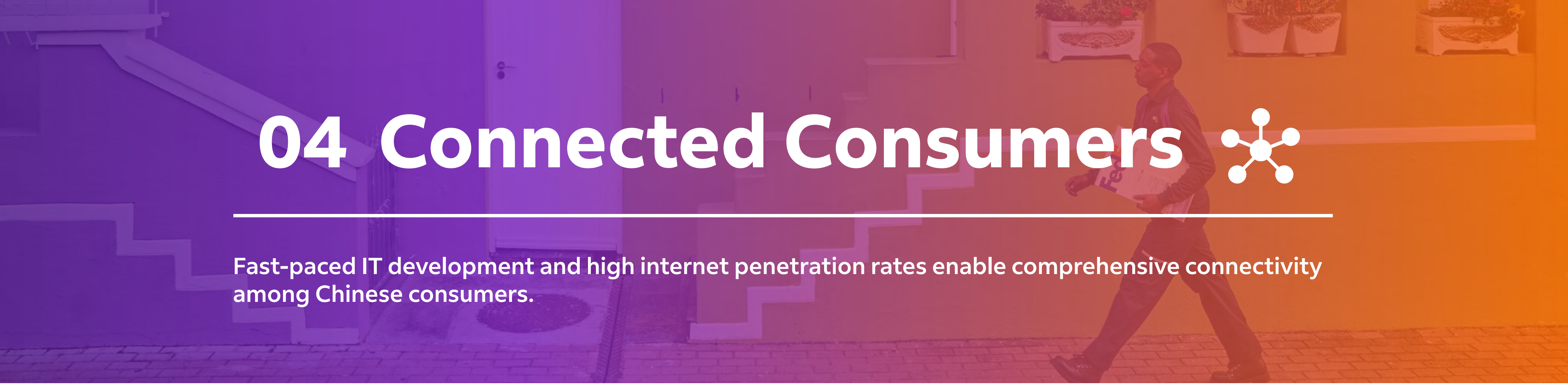
IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Contactless delivery will become a new norm.

Contactless delivery is improving last-mile delivery efficiency and a service in increasing demand under the pandemic. Continuous innovations in smart delivery options such as robots and parcel lockers are essential to maintaining competitiveness.

2 Digitized delivery service is in demand.

Consumers are expecting increasingly accurate parcel tracking and a delivery service easily ordered through a smartphone. These are all calling for a more digitized logistics system.



04 Connected Consumers

Fast-paced IT development and high internet penetration rates enable comprehensive connectivity among Chinese consumers.

KEY DRIVERS BEHIND THE MEGATREND:

Expanding the internet user base, forming online-centric social habits, and growing smartphone ownership drive connected consumers. China's population has developed communications and social habits based online, demonstrating unprecedented online connectivity. Increased internet penetration has enabled people to acquire information, communicate, and connect. According to Euromonitor's Passport Database, 86.4%[1] of the Chinese population owned smartphones in 2020. Mobile internet has become a lifestyle for the Chinese and a vital media to break physical boundaries between consumers and companies for seamless connectivity.

+12.2 percentage points

Increase of population percentage using the internet in China from 2015 to 2020

56.6%

of the Chinese population visit or update social networking sites every day, 2020

86.4%

Smartphone possession in China, 2020

Source: 1. Euromonitor Passport Database.

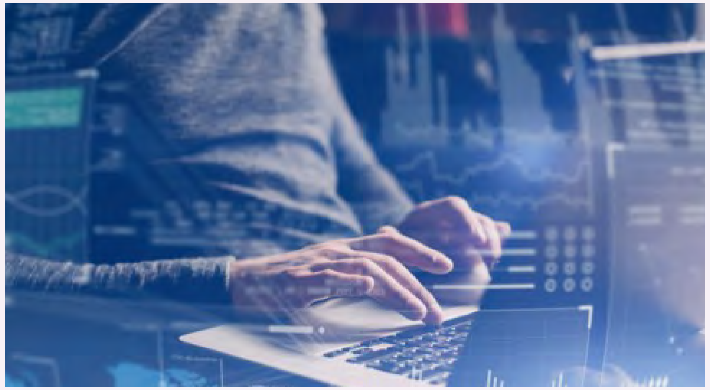
Connected Consumers means that the individual, empowered customers are increasingly connected on the internet, creating and maintaining relationships virtually. Mobile-only, social commerce, and virtual community are the three most essential sub-trends identified under Connected Consumers.

Mobile-Only

The mobile phone becomes the only device that fulfills all the consumer's daily needs.

Social Commerce

Emerging new e-commerce models leverage customers' social networks to grow, such as group or community purchases.



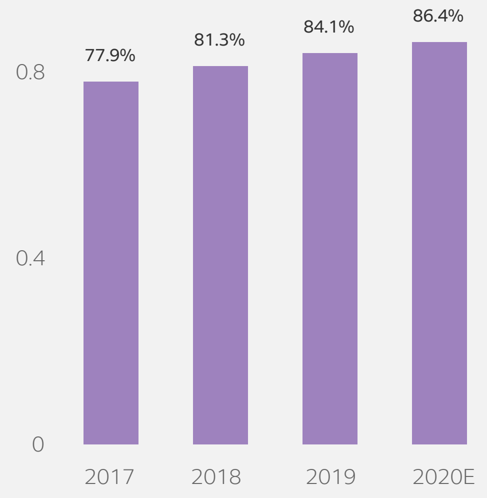
Virtual Community

People with similar interests gather online to share their opinions and findings on dedicated online media/platforms.

1 MOBILE-ONLY

In many places, if you leave the house without your wallet, you'll be in a tough spot all day. However, you don't need a wallet in China, just your smartphone. Payments and life services are all performed through mobile phones, which has fostered a wallet-less lifestyle among the Chinese. Your mobile phone is the only thing needed to 'survive'.

Possession of Smartphones in China[1], % of households



WHAT DOES MOBILE-ONLY LOOK LIKE IN CHINA?

Smartphones are not only about making contactless payments in China. **Super APPs, life-service platform APPs, and functional mobile APPs** have fundamentally changed how Chinese people live, work, and play.

Super APPs with multiple functions allow consumers to 'live' (shop, chat, play, eat) with only a mobile phone and help users manage their lives by continuously extending their service scope. A broad smartphone user base supports the continuous growth of Super APPs.

As the development of society, super APPs have become essential tools for living in China with various features, including transferring money, paying bills, booking tickets, and calling taxis. As customers are enjoying the convenience provided by these APPs, relevant consumer data in return become important resources. For example, super APPs provide advertisers with high-quality user data based on which marketers can define their target audience according to demographic characteristics. In addition to 2C services, super APPs will provide traffic support for new business modules in the form of a platform in the future.

Mobile APPs for life services also increase the functionality of mobiles. Users can enjoy different life services such as home service, recruitment, and second-hand sales with only one mobile APP.

Service providers also aim to provide users a **functional mobile APP** on which users can manage essential life services, such as banking and currency exchange and other life services all on one APP.

Source: 1. Euromonitor Passport Database.

2 VIRTUAL COMMUNITY

Virtual communities connect people with similar interests, breaking physical boundaries. People increasingly communicate through online media. Consumers are also crafting their self-identity in virtual communities.

WHAT DOES MOBILE-ONLY LOOK LIKE IN CHINA?

A virtual community is a group of people with similar interests and ideas connected over the internet. **Lifestyle-sharing platforms, user-generated content platforms, and knowledge-sharing platforms** are the three most significant types of virtual communities for Chinese consumers.

Lifestyle-sharing platforms seem to be nothing new to many people. However, China is taking life-sharing platforms to a higher level. Chinese consumers do thorough pre-purchase research. Therefore, lifestyle-sharing platforms have become a new battleground for brands because brands find it easier to target their customers with shared interests and achieve sales on these platforms. Some lifestyle-sharing platforms have also embedded e-commerce functions to allow users to get commodities they like after seeing a post without switching to another APP. These virtual communities will further upgrade their technology capability to tag users more accurately for specific content and product recommendations.

User-generated content platforms are those platforms that mostly share user-generated content with a particular theme/topic, such as TV reactions, video games, and restaurant reviews. Such platforms are developing well in China with the number of active users on some top platforms even reaching about 200 millions. During the COVID-19 pandemic, many brands first appeared on user-generated content platforms for live-streaming. Similar to other types of platforms, these platforms are also adding shopping functions but are still at a very early stage.

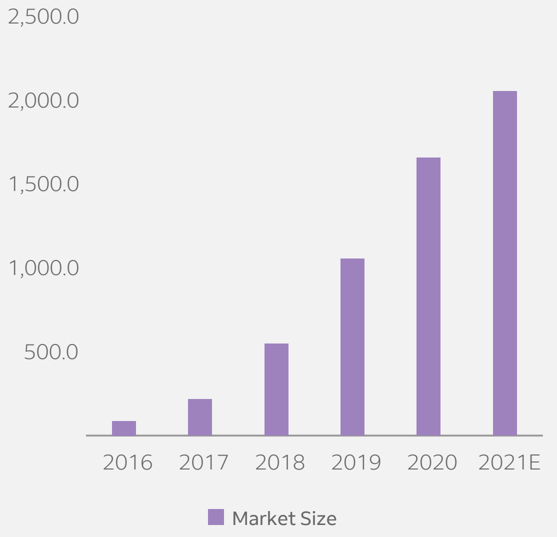
Knowledge-sharing platforms are also evolving in China. For example, gourmet recipe-sharing communities can transform into a type of e-commerce platform with a shopping function for fresh goods.

Source: 1. Bilibili.com 2020 Q3 Financial Report

3 SOCIAL COMMERCE

The emergence of e-commerce platforms emphasizes social nature, involving social media and online media that supports social interaction and user contributions to assist in online buying and selling products and services.

Market Sizes of Social Commerce in China[1], Billion RMB



WHAT DOES SOCIAL COMMERCE LOOK LIKE IN CHINA?

Social commerce is the combination of social networking and e-commerce and has become increasingly popular in China.

Social commerce can range from recruiting friends for discounted group purchases to live-streaming shopping by combining shopping and entertainment. E-commerce developed based on **customers' social networks**, and e-commerce set by social media platforms are two mainstream social commerce.

The market size of social commerce reached 1,055.0 billion[1] RMB in 2020 and is expected to reach 1,657.8 billion[1] RMB in 2021. The primary application format of social commerce is e-commerce platforms that **leverage users' social networks** as a critical growth driver. New customer recruitment relies on existing customers' sharing and recommendations in exchange for lower prices or free products.

At the same time, leading social media is also building self-owned commercial capability to fully utilize the existing social networks. Previously, product placement on social media was linked to 3rd-party e-commerce, so that consumers could conduct purchases on separate e-commerce platforms. Now, social media platforms have started to develop their own 'stores' to keep consumers' whole shopping journey on their platform.

Source: 1. Pinduoduo.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

North America and Europe come in first in Connected Consumers for their high internet penetration. The internet is a critical infrastructure that allows consumers to experience and interact with digital content and access services. The trend is a niche in the **Middle East** and **Africa**.

APAC
The trend is rising with the adoption of e-wallet.Virtual community is also growing. where users can share the latest insights and articles on specific fields. However, social commerce is still at an early stage without clear leading players but do note brands that place shoppable ads on social media.

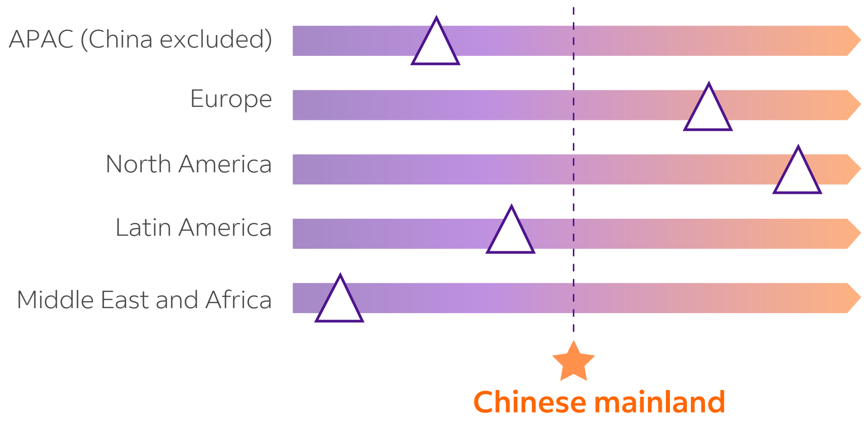
EUROPE
Virtual community is a commonly observed trend. A leading social app and content-sharing platforms have high penetration. Functional APPs are gaining presence while social apps are developing more functions like shopping. More brands are born and scaled through social media, especially for beauty brands.

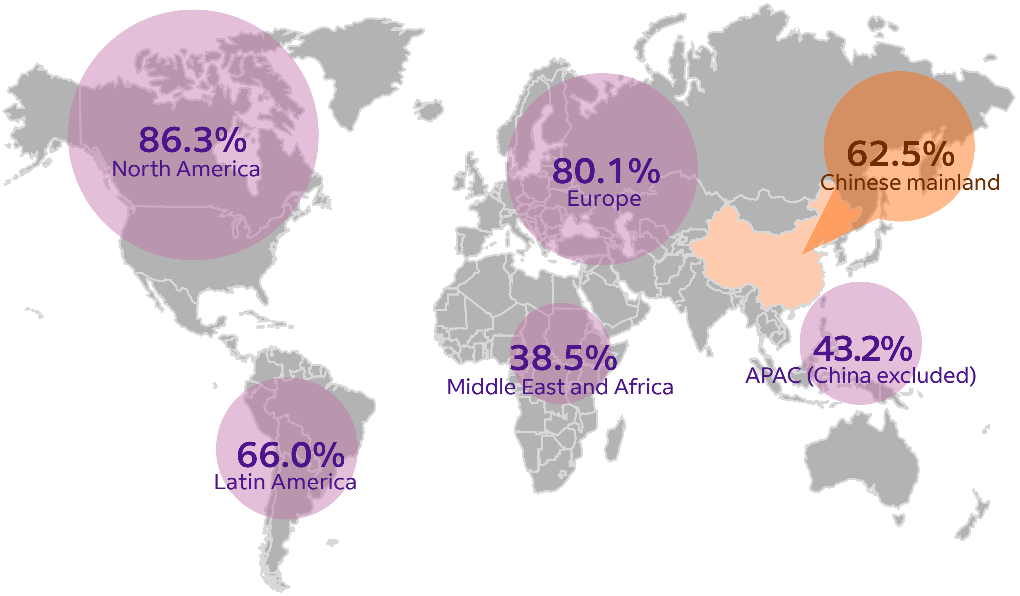
NORTH AMERICA
Virtual community is also common. Leading social APPs have a very high penetration rate, and some payment platforms are gaining presence. Meanwhile, there is an increasing number of brands that adopt social commerce practices to increase the stickness of customers.

LATIN AMERICA
The trend is at a very early stage. Only some leading APPs are trying to explore more and add new functions like games, music, and shopping in order to become super APPs.

MIDDLE EAST AND AFRICA
The trend is at a relatively early stage. However, more companies are paying attention to this area. It's expected that a super APP will be created next year for South African consumers to shop online, pay bills, and send money to family. In addition, the ongoing partnership between businesses also reveals this trend in the future.

Regional expenditure on travel, leisure, and recreation per capita 2020 in USD





Connected Consumers will continue to lay a foundation for e-commerce development in China and the world, especially in economically developed regions.

CHINA

China is **optimizing the value and benefits of a connected consumer base** through apps like WeChat, which offers social options and realizes commercial value for brands. The trend is expected to **maintain strong momentum** in China.

GLOBAL

International social platforms **increasingly connect** consumers worldwide. However, most populations still rely heavily on offline services and commercial models, such as **social commerce, which is much less prevalent**, even in North America.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Innovation in the logistics model to cater to social commerce operations.

Social commerce is renovating the traditional e-commerce model. Compared with leading e-commerce giants such as Tmall and JD.com, which have competitiveness in shipping efficiency, social commerce platforms may need to improve further and upgrade to ensure customers' shopping experience.

2 Super APPs as a portal for consumer recruitment.

Super APPs with a large user base and multiple service offerings should be considered as an essential portal for logistics players to gain users for delivery service.

05 Shifting Market Frontiers

Businesses in China are devoting more resources to lower-tier cities and designing specific business models targeting consumers in lower-tier cities. The rapid growth in demand for services and goods in lower-tier cities reveals excellent market potential.

KEY DRIVERS BEHIND THE MEGATREND:

Due to consumers’ higher income levels, top-tier cities have been the primary target of big corporations in China, especially MNCs . However, developed city markets are saturated after years of market development. Brands eagerly seek new demand to fuel future growth. Disposable income in rural areas in China grew 11.5%[1] annually from 2016 to 2020, exceeding the annual growth rate of 6.3%[1] in urban areas. Rising income levels and lower living costs allow rural consumers to pursue a greater diversity of products and services than ever before.

Meanwhile, an easily neglected fact is that most of the nation’s population lives in low tier-3 and below cities. There is a considerable potential consumer base waiting for brands to explore. At the same time, the development of infrastructure also strongly supports deeper market penetration. According to Euromonitor Passport Database, the e-commerce logistics industry in China grew 26.1%[2] annually from 2015 to 2019. Continuously improving the logistics systems and penetrating a wider geographic area in China supports business expansion in lower-tier cities.

+ 11.5%

CAGR of rural disposable income per capita from 2016 to 2020 in China

94.8%

Of the population from below tier-one cities in China, 2020

+ 26.1%

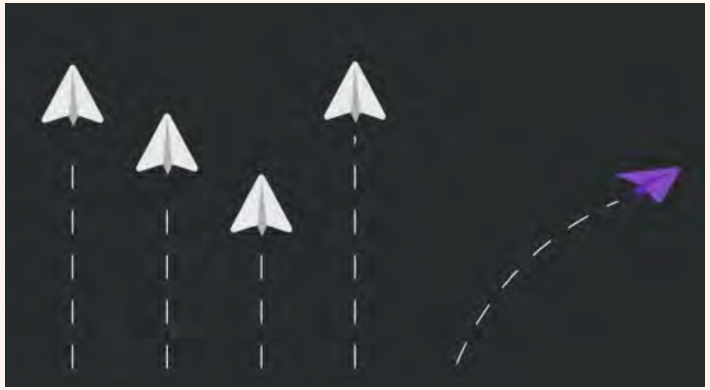
CAGR of the e-commerce logistics market size from 2015 to 2019 in China

Source: 1. National Bureau of Statistics of China; 2. Euromonitor Passport Database.

Shifting Market Frontiers means that businesses in China are shifting attention from saturated high-tier cities to less-developed areas and devoting more resources to lower-tier cities. The mom-and-pop economy and price wars are the two most significant sub-trends identified under Shifting Market Frontiers.

Mom-and-Pop Economy

Brands directly connect with small businesses (mom-and-pop stores) through 2B e-commerce platforms.



Price Wars

E-commerce platforms compete heavily on price to attract consumers from lower-tier markets.

1 Mom-and-Pop Economy

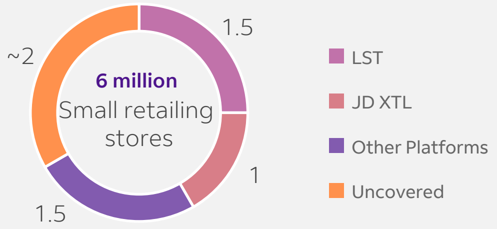
Brands are eager to connect with small businesses (mom-and-pop stores) in China, whose potential can be further explored given their high penetration.

75%[1]
of traditional grocery shops were in tier-3 and below cities in 2018

120 million[1]
Customers were served by those traditional grocery shops per day

318.5 million[1]
Number of individuals registered in wholesale and retail industries

Market Presence of Leading B2B2C Platforms in China, Million of Stores Covered².



WHAT DOES THE MOM-AND-POP ECONOMY LOOK LIKE IN CHINA?

Small retailers and restaurants still play a vital role in consumers' daily life and the nation's economic development. According to the Ministry of Commerce of China, about 75%[1] of traditional grocery shops were in tier-3 and below cities in 2018, serving 120 million[1] consumers each day. And the number of individuals registered in wholesale and retail industries reached 318.5[1] million. However, the operations model remains outdated. Small business owners continue to purchase and sell traditionally. On the other hand, brands are eager to connect with consumers of undeveloped areas. And so, 2B e-commerce platforms that serve small independent business owners, such as **mom-and-pop stores** and **unchained restaurants**, emerged. **B2B2C**, as the name suggested, connects brands (B) to small retailers (B) to consumers (C). Small business formats, such as mom-and-pop stores, have been long neglected by brands. However, their high volume of transactions and large consumer base have drawn the attention of industry-leading brands and e-commerce giants.

With their help, digitization will further penetrate the 'capillary' of China's economy. Some leading players built specific purchasing platforms targeting small businesses, such as mom-and-pop stores, with integrated ordering, procurement, logistics, marketing, customer management, and other functions. On the one hand, such platforms directly connect brands with small retailers and support small business owners to run their stores. On the other hand, these digital systems collect information that used to be neglected, record and analyze customer transactions to help small businesses run in a more efficient way.

Another type of **emerging 2B platform** mainly targets independent restaurants. Restaurant owners purchase fresh goods, condiments, soft drinks, and other supplies on the platform. Emerging 2B e-commerce platforms improve the efficiency of the operations of small businesses and help brands reach and better serve consumers who had been left behind by China's online retailing reform.

Source: 1. Ministry of Commerce of the People's Republic of China; 2. Blue Book of Characteristic Towns, LST, JD XTL.

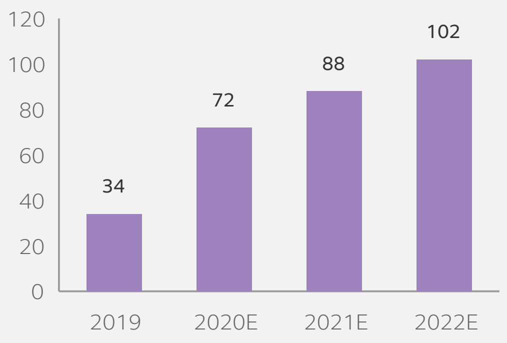
2 Price Wars

E-commerce platforms targeting price-sensitive customers are competing heavily. Coupons are released frequently and in large volume to attract these consumers, especially in lower-tier cities.

560 million[1]

People living countryside in China, 2020

Market Size of Community Group Purchase in China[2], Billion



WHAT DO PRICE WARS LOOK LIKE IN CHINA?

Gaining new users has become increasingly challenging and concerns most of the leading e-commerce players. Price-sensitive consumers in low-tier cities and rural areas are regarded as the next opportunity for growth. According to the National Bureau of Statistics of China, the number of Chinese people living countryside reached 560 million[1] in 2020. E-commerce platforms targeting price-sensitive customers are competing heavily by launching **community-based group purchases, coupons, and special discount version APPs.**

Community group purchase leverages the broad network of local ‘community leaders’ to reach and serve local consumers. It is prevalent among consumers in lower-tier cities for its low-price offerings and is welcomed by the capital market.A total of 13[2] platforms in the community group purchase in China received financing investment in 2020 of over 14.98 billion RMB[2]. Community group purchase results in a win-win situation. The community leaders save the platform costs regarding user recruitment, logistics, and storage, which in turn allows for lower-price offerings to consumers. Despite covering an already large number of areas in rural and lower-tier cities, such platforms have a low penetration rate in villages, indicating there is still considerable potential.

At the same time, e-commerce platforms use **aggressive subsidies and coupons** to acquire price-sensitive users and increase customer stickiness. Coupons are released frequently and in large volume to attract these consumers, especially in lower-tier cities.

Special Discount Version APPs are those through which consumers select (unbranded) products with lower prices, mainly in the C2M (Consumer-to-Manufacture) mode, providing complete category offerings at much lower prices. The points gained from multiple purchases can be deducted directly from the customer’s next total purchase price.

Source: 1. National Bureau of Statistics of China; 2. DATA.100EC.CN.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

Shifting Market Frontiers develop as a global trend instead of a regional one as multinational companies transfer their efforts towards developing countries. Less developed regions appear to have considerable potential to be explored under a shifting market frontier trend. As some developed regions of the globe become over-farmed, over-populated, or otherwise reach their maximum potential, disposable income in less developed areas such as Africa grows, exposing still considerable unexplored potential.

APAC

At the regional level, relevant applications are rarely seen out of the APAC region. Leading e-commerce players mainly influence the trend in China. Some connect domestic suppliers with small to medium businesses in the APAC region. Leading e-commerce players use discounts, coupons, vouchers, and increasingly frequent sales activities to attract consumers.

EUROPE

The trend is at a very early stage in Europe. None cases are observed.

NORTH AMERICA

Emerging platforms connect small local retailers and offer delivery services. In addition, there are emerging platforms trying to capture the rural market through lower prices.

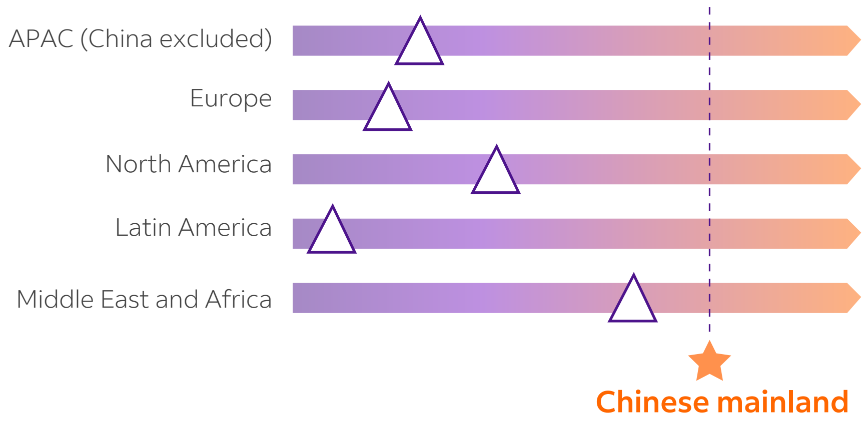
LATIN AMERICA

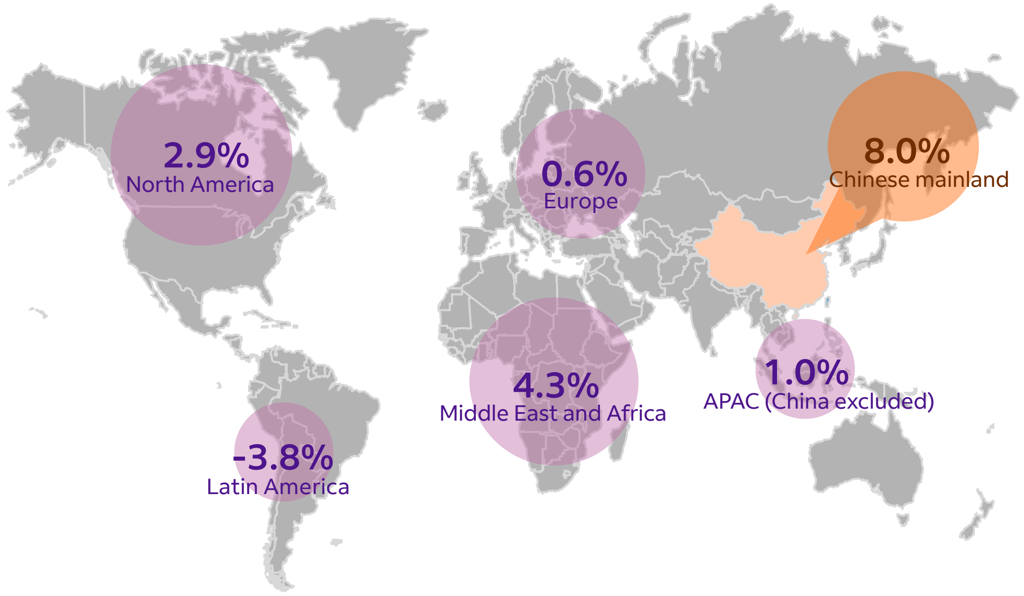
The trend is on the rise in LATAM. There has been platforms allowing traditional retailers to join them and offer their products delivered through hyperlocal delivery.

MIDDLE EAST AND AFRICA

Platforms connecting small-scale farmers to customers have emerged in South Africa and Nigeria.

Regional CAGR of disposable income from 2016 to 2020





Source: Euromonitor research based on desk research and trade interviews.

A shifting market frontier is gaining momentum in less developed regions globally, providing opportunities for e-commerce players.

CHINA

Lower-tier cities and rural areas in China still have considerable potential under rising disposable income. As a result, e-commerce players are attempting to gain market share in these regions through **low-price offerings**.

GLOBAL

Less developed regions such as the **Middle East, Africa, and APAC** have become new emerging markets to explore because of their still rapidly-growing disposable income and unexplored landscape.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Cross-border logistics is a rising focal point.

Domestic suppliers are eager to connect with small to medium businesses in less developed regions for unexplored business opportunities.

2 Logistics networks expand into lower-tier cities.

Accompanied by the increasing penetration of e-commerce players into lower-tier cities and rural areas, logistics players must also extend their networks for broader coverage.

06 Sharing Economy

More than half of Chinese consumers are estimated to have participated in sharing economy by 2019. Sharing economy continues to penetrate the China market and gradually becomes an integral part of consumer habits.

KEY DRIVERS BEHIND THE MEGATREND:

The key concept behind sharing economy is "Access but not Ownership," with the relatively advanced digital development in China giving consumers greater "access" to various products and services. Rising urbanization continues driving the user base for sharing economy. Shared services are most accessible in urban areas and supported by more advanced infrastructure. 86.4%[1] of the total Chinese population owned smartphones in 2020, enhancing the availability of shared products and services. From the industry end, sharing economy is continually receiving investment from major technology firms. Fast-paced urban life drives increasing demand for convenience. Companies across categories note the significant potential of providing consumers with "access" instead of "ownership" to bring them a more convenient life, leading to trend growth in China.

+ 5.8%

Increase of urbanization rate from 2015 to 2020 in China

86.4%

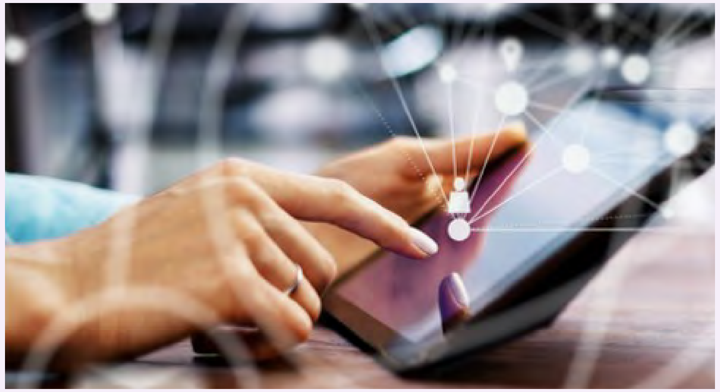
Population possessed smartphones in China, 2020

71.4 Billion RMB

Direct investment in the sharing industry in China, 2019

Source: 1. Euromonitor research based on desk research and trade interviews.

Sharing Economy is gradually becoming an integral part of consumer habits in China, driven by Chinese people's call for convenience.



Call for Convenience

Shared products or services gain popularity among consumers due to the conveniences they offer.

1 Call for Convenience

Technology-facilitated and easy access to products or services gain popularity among consumers due to the conveniences offered. Nowadays, people in China can easily find available rental cars, bicycles, and even power banks with only their smartphones whenever they need one.

1,617.5 million RMB[1]
Of sharing economy of life services in 2020

10+%[1]
Y-o-y growth rate of sharing economy of life services in China, predicted for 2020 to 2025

7,060 million RMB[2]
GMV of the Shared Power Bank market in 2020

WHAT DOES A CALL FOR CONVENIENCE LOOK LIKE IN CHINA?

Car-sharing, power bank-sharing, and bike-sharing are the three most prominent sub-trends that make Chinese people's life more convenient.

Technology, such as big data, has changed the traditional rental industry to be more efficient, saving both time and effort for end-users. According to the State Information Center of China, the market size of sharing economy in life services reached 1,617.5 million[1] RMB in 2020.

Car rental service in China is experiencing rapid digitization for a swifter lease process and a more extensive user base. Digital systems help users find the nearest car quickly and accurately. Besides, the cooperation with leading e-payment providers facilitates user data sharing, which guarantees user credibility for a service provider and benefits users with free deposits. The rental process becomes easier and more efficient.

A more advanced model of sharing economy allows consumers to complete the process autonomously. Consumers scan the QR code on the sharing bikes or power banks and then complete the rental process autonomously. The self-service system supports the rapid expansion of sharing bicycles and power banks.

Smart locker and location systems also help customers to rent and return autonomously.Sharing power bank companies that place shared power bank stations in various retail spots and allow customers to rent power banks by mobile APPs. Users can return at any available station at any location, and the rental fee automatically deducted from the bound payment account.

Entertainment: KTV, Internet cafés and Cinemas

Theme Park: Shanghai Disney Resort

Retail scenario: Shopping malls, Shopping centers, Bookstores

Business travel scenarios: Ancient towns, Resorts and other new scenes

Foodservice: Restaurants and Milk tea shops

Source: 1. "Report on China's Development of Sharing Economy" published by the State Information Centre of China; 2. Euromonitor research based on desk research and trade interviews.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

Sharing economy is more accessible and viable to operate in regions with high smartphone ownership. Globally, sharing economy is estimated to reach a 335 billion USD market by 2025. Most popular sharing economy forms increasingly rely on smartphones to actuate self-service and reach a wider audience, such as car rental, clothing rental, and bicycle sharing.

APAC
The megatrend is mainly reflected in shared bikes, cars, and power banks.

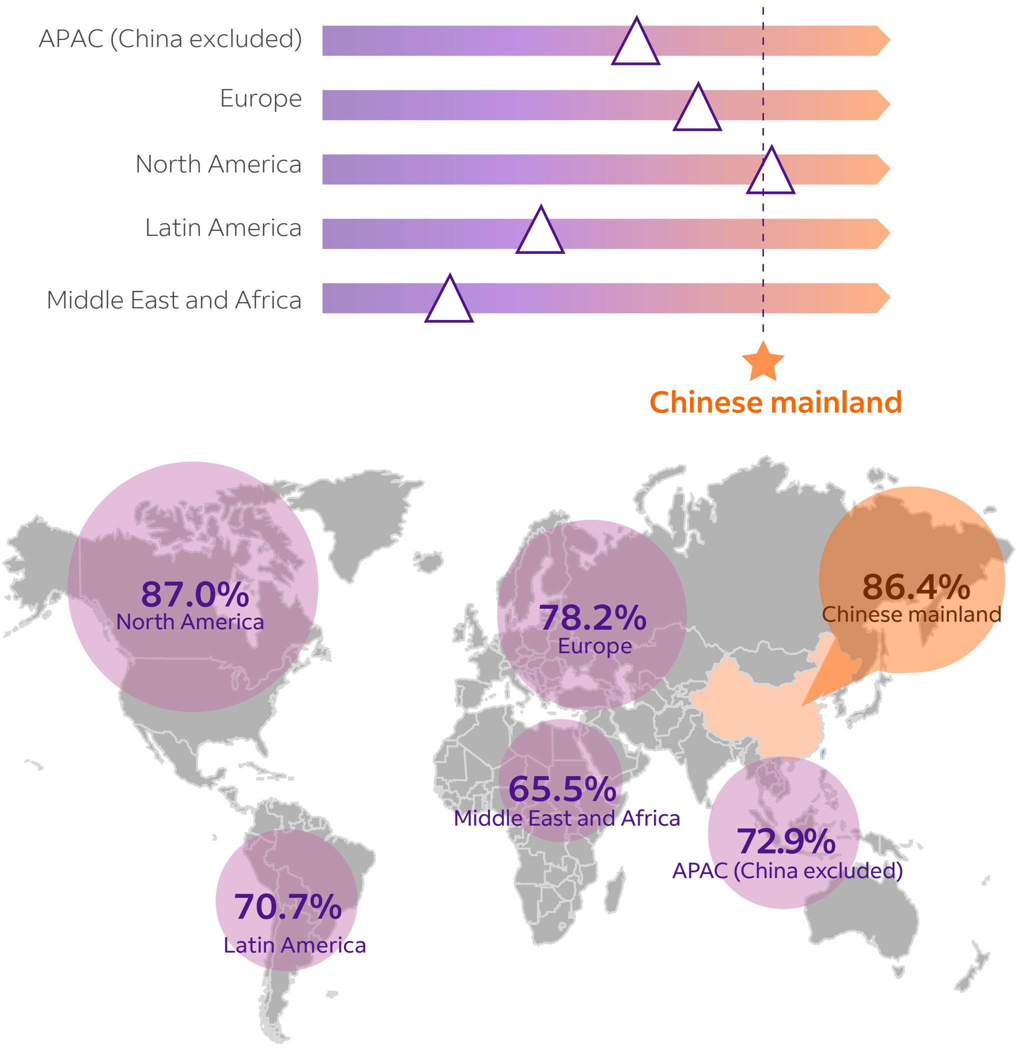
EUROPE
The megatrend is emerging, particularly in urban areas sharing bikes and cars/electric scooters.Power bank rental stations also are emerging in the UK.

NORTH AMERICA
The trend is at a relatively early stage. Sharing cars and accommodations, however, is more mature.

LATIN AMERICA
The trend is at a relatively early stage. Sharing cars and accommodations, however, is more mature.

MIDDLE EAST AND AFRICA
The trend is at a relatively early stage. Sharing cars and accommodations, however, is more mature.

Regional proportion of population possess smartphone 2020



Sharing economy saw higher penetration in China than other parts of the world in diversity and geographical coverage.

CHINA

The sharing economy in China is **under rapid development** with support from leading technology companies. As a result, consumers gradually form **sharing habits for items with practical daily functions** such as bicycles and power banks.

GLOBAL

The **forms of sharing economy are still limited** in more developed regions worldwide, mainly car rental services. Further development of sharing economy **requires robust infrastructure**, which still needs time to be built in many areas, especially the Middle East, Africa, and Latin America.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Sharing logistics is a trend on the rise.

Several major cities are already heavily congested as population density increases with the growing population and cannot absorb more delivery vehicles. Shared logistics capacity among industries can resolve this challenge.

2 Logistics support for Sharing Economy.

For reallocation purposes of shared items such as bicycles to balance the supply in different parts of the cities, logistics companies will be the primary stakeholder to drive the service.

07 Buying Time

More than half of Chinese consumers are estimated to have participated in sharing economy by 2019. Sharing economy continues to penetrate the China market and gradually becomes an integral part of consumer habits.

KEY DRIVERS BEHIND THE MEGATREND:

Rising disposable income is undoubtedly the primary driver behind buying time because consumers need increased purchasing power to save time through outsourcing tasks. Relatively rapid economic development makes life busy for the Chinese. An increasingly fast-paced lifestyle, especially among the younger generation, calls for a greater willingness to spend to save time. Consumers willing to spend money to save time increased by 11.6%[1], reaching 58.9%[1] in 2020 compared to 2019 in China. The global average is only 48.0%[1]. Consequently, services to save time have thrived in China. Food delivery has had strong growth and is one of the significant forms of buying time, achieving 39.3%[2] annual growth in 2019 (27.8%[2] in 2020), and continuously pushing the trend forward.

+ 8.0%

CAGR of disposable income per capita from 2016 to 2020 in China

58.9%

Of the Chinese population shows a willingness to spend money to save time, 2020

+ 39.3%

Y-o-y growth of the food delivery industry in China, 2019

Source: 1. Euromonitor Passport Consumer Survey 2020; 2. Report on Food Delivery 2020 published by Meituan.

Time has become a valued asset in China. As a result, Chinese consumers are showing a greater willingness to spend money to give themselves more time. Serviced Life and Enjoy at An Instant are the two most important sub-trends identified under Buying Time.

Serviced Life

People are increasingly willing to pay for life services, such as food delivery and running errands, to save time.

Enjoy At An Instant

Consumers are demanding fast delivery and receiving products 'at an instant' once they place an order.

1 Serviced Life

People are increasingly willing to pay for services covering all aspects of life, such as food delivery, household services, and other people running their errands to save time.

18.5 billion[1]
Orders for running errands in China in 2019

0.95 billion[1]
Orders for running errands in China in 2013

+64.0%[1]
CAGR growth of orders for running errands in China, 2013-2019

4,498.5 thousand[1]
Monthly active users of platforms for running errands, August 2020

4,426.8 thousand[1]
Monthly active users of platforms for running errands, December 2019

WHAT DOES SMART LIFE LOOK LIKE IN CHINA?

People are more willing to pay for life services, such as food delivery, **running errands, and 60-minute same-city delivery** than ever before to save time. The most representative type is **purchasing another person's time** to complete deliveries, purchases, and other services for you.

There are already many APPs providing **the service of running errands** in China. Customized shopping or delivery service is completed with only a few clicks. With the development of the delivery industry, leading players have extended their businesses to other categories, including fresh foods, medicines, and daily groceries to serve consumers more comprehensively.

And when you have no time or have urgent needs of parcel pick-up or delivery, **60-minute Same-City Delivery** is at your disposal. The service provides consumers with short-distance rapid delivery services and more common in the first and second-tier cities where consumers are more willing to buy time with money.

Lastly, **online home service platforms** provide consumers with daily life services, such as laundry, housekeeping, and beauty salon services. By placing orders online, consumers can enjoy having the services provided at home. With professional help, consumers can save their time for work or enjoyment.

Source: 1. Aurora Mobile

2 Enjoy At An Instant

Tolerance for an extended delivery time is diminishing, and consumers are demanding fast delivery and receiving products 'at an instant' once they place an order.

3.1 trillion tons[1]

Of fresh food consumption of Chinese residents in 2019

485.0 billion RMB[2]

Market sizes of cold chain logistics in China, 2020

21.5%[2]

Y-o-y growth rate of the market size of cold chain logistics in China, 2020

WHAT DOES ENJOY AT AN INSTANT LOOK LIKE IN CHINA?

Consumers are demanding **fast delivery** and receiving products' at an instant' once they place an order. As a result, tolerance for an extended delivery time is diminishing. According to the National Bureau of Statistics of China, Chinese residents' fresh food consumption reached 3.1 trillion tons[1] in 2019. Inspired by this trend and supported by improved logistics systems, **fresh goods e-commerce** emerged and thrived in China.

Fresh goods e-commerce commonly provides fresh vegetables, fruits, and seafood, delivered to your location within 60 minutes after ordering. The development of China's fresh goods e-commerce relies largely on cold chain logistics. The market size of cold chain logistics in China reached 485.0 billion[2] yuan in 2020, representing a 21.5%[2] y-o-y growth.By placing front warehouses close to consumers, fresh food platforms can send out orders directly from the front warehouse and ensure 1-hour delivery after placing the order online in most regions covered. In addition, with the expanded coverage, enlarged warehouses and further digitization, the last-mile logistics model is under continuous upgrading to service more consumers even faster.

Meanwhile, the most common form of 'enjoy at an instant' in China is **Food delivery** . According to Meituan's Takeaway Industry Report 2019, food delivery reached a market size of 654 billion[4] retail value and a y-o-y growth of 39.3%[4] in 2019.

Food delivery platforms specialize in providing consumers with instant food offerings, including meals, fast food, desserts, milk tea, and the like. Recently, the takeaway business has grown beyond food to reach more aspects of consumer life, such as medicine and daily supplies.

Source: 1. National Bureau of Statistics of China; 2. China Cold Chain Logistics Committee; 3. Euromonitor research based on desk research and trade interviews; 4. Meituan Takeaway Industry Report 2019.

HOW DOES THIS MEGATREND VARY FROM REGION TO REGION?

Regions with **higher disposable income** are more capable of 'buying time' and have greater access to relevant services. Regions like **North America** and **Europe** show a greater willingness and the capability to outsource tasks for convenience and improved life quality. Around 45.5% of consumers in the US are willing to spend money to save time, according to the Euromonitor 2020 Consumer Lifestyle Survey.

APAC

There are local and regional players emerging under the trend. For example, some provides a one-hour express delivery service for urgent items such as documents, flowers, and cakes. Fresh goods e-commerce is not noted. However, food delivery is relatively mature and facilitated by leading players.

EUROPE

Platforms are reinventing to offer more diversified delivery services to include parcels, alcohol, groceries, and the like. Fresh goods e-commerce is not noted. Still, food delivery is relatively mature and facilitated by leading players.

NORTH AMERICA

Aside from some classical famous companies, there is a home service observed. Consumers can request on-demand home service and rate the service afterward. Fresh goods e-commerce is not seen. Food delivery is relatively mature and facilitated by leading players.

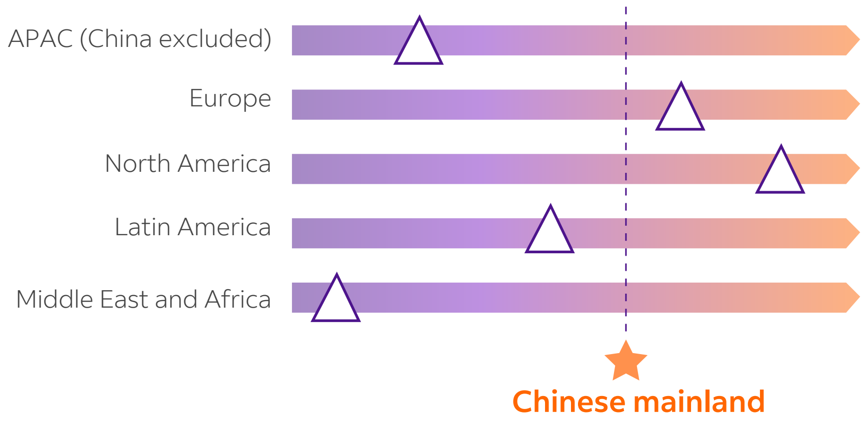
LATIN AMERICA

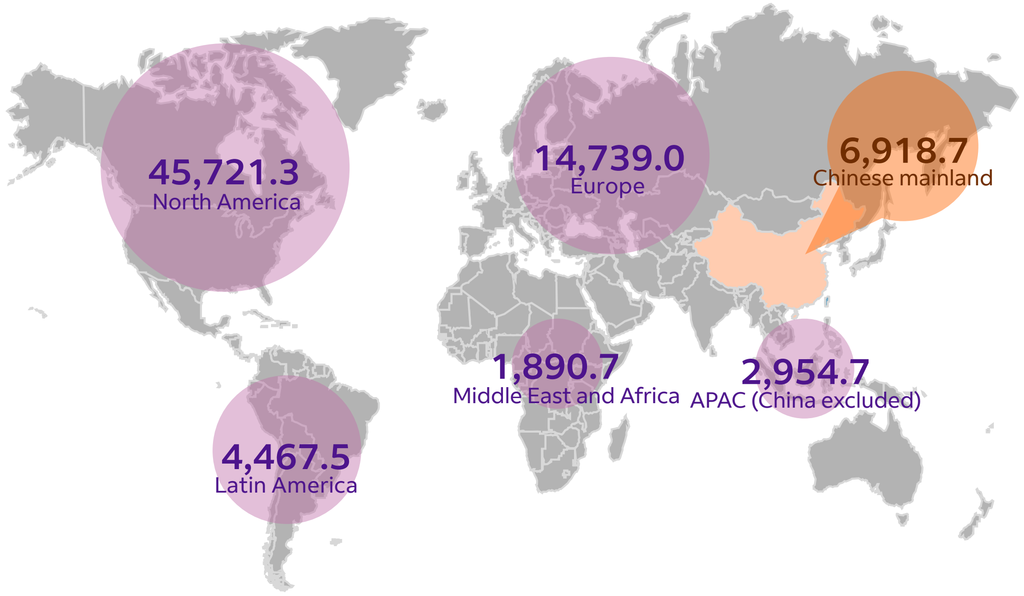
Fresh goods e-commerce is not noted. However, food delivery platforms are relatively mature.

MIDDLE EAST AND AFRICA

Certain applications under the sub-trend are observed in the region, and platforms enriched their business offerings during COVID-19.

Regional disposable income per capita 2020 in USD





Source: Euromonitor research based on desk research and trade interviews.

Buying Time will gradually become a mainstream demand for both China and the world, and e-commerce anticipates playing a pivotal role in serving this purpose.

CHINA

E-commerce in China plays a vital role in saving time for consumers, providing fulfillment of demand at a click. The further evolution of e-commerce platforms aims to **serve life needs holistically** and realize **even faster delivery services**.

GLOBAL

Buying time is **more prominent** in developed regions in the world, especially in **North America** and **Europe**. Leading technology and e-commerce companies such as Uber are transforming to deliver not only food but also groceries. However, the trend is still under formation for less developed regions.

IMPLICATIONS FOR THE LOGISTICS INDUSTRY

1 Expedited last-mile delivery.

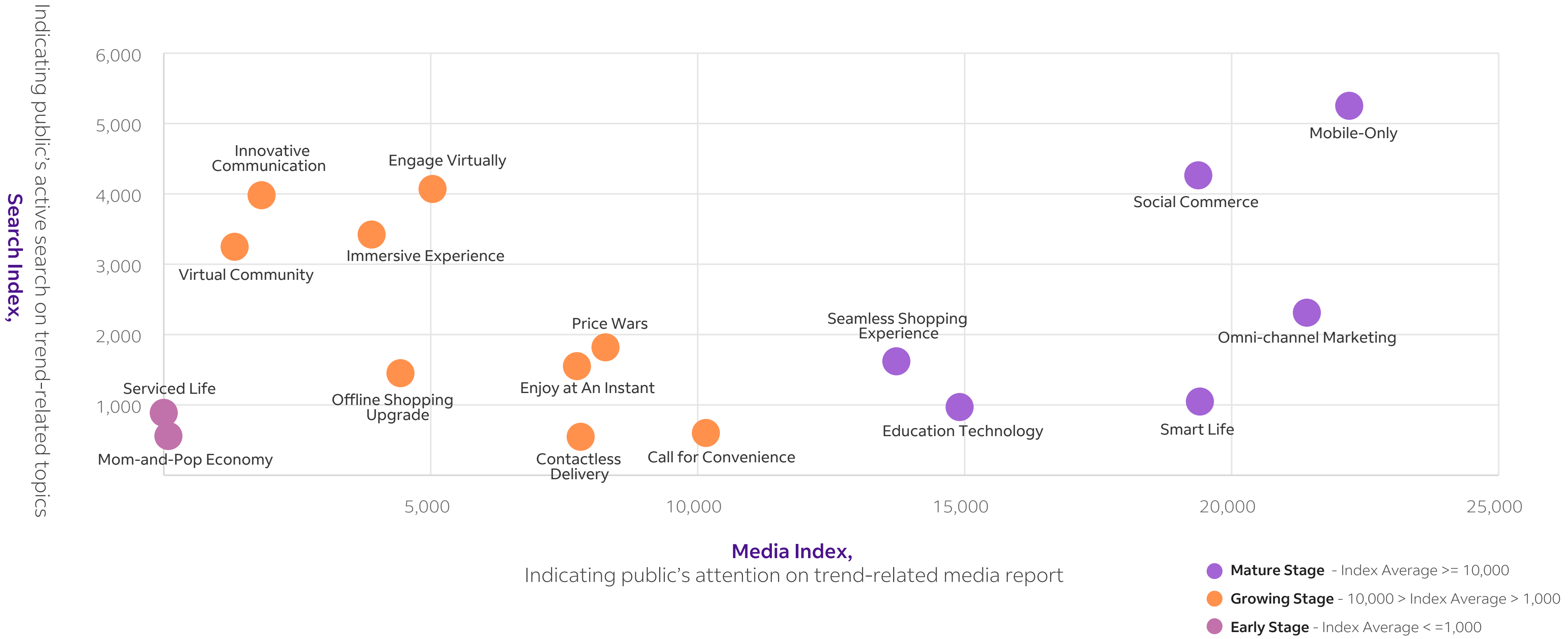
Urban consumers seek faster and more flexible delivery options and are willing to pay for them, which means that it is helpful to build an even more localized network closer to consumers.

2 Logistics support for Sharing Economy.

For same-day and same-hour deliveries, route planning can leverage big data analysis and AI computing power to identify the most efficient route and improve delivery efficiency.

We integrated all sub-trends to present a clearer picture of their current development stage based on internet users' Search Index and Media Index.

Mobile-Only, Social Commerce, Omni-channel Marketing, Smart Life, Seamless Shopping Experience, and Education Technology are currently at a mature stage with the average of Search Index and Media Index exceeding 10,000, attracting widespread public attention and discussion. At present, **Serviced Life and Mom-and-Pop Economy** are at a relatively early stage with limited public attention and discussion.



Search Index: The index is calculated based on internet users' search actions on Baidu of specific keywords.
Media Index: The index is calculated based on internet users' reads, comments, likes, and share actions towards Baidu's news feed.
Source: Euromonitor adjusts to retain data comparability based on the Baidu Index.

Thank you