

More than just an online carnival

Singles Day highlights technology's shot in the arm for the real economy, role in urban-rural integrative development

Editor's Note: This year marked the 10th anniversary of Singles Day (Nov 11), when people can avail of the special discounts offered by online shopping platforms. What was new this year? And what are the prospects for China's e-commerce? Two experts share their views with China Daily's YAO YUXIN. Excerpts follow:

Technology improves social efficiency



Zhang Ying, associate dean of Guanghua School of Management, Peking University.

Started during the infancy of e-commerce business in China, Singles

Day has played a significant role in promoting online shopping. But Singles Day has become more like an online carnival today, which doesn't influence online shopping as in the past, because consumers nowadays buy anything online

whenever they want. However, one thing is different: e-commerce has already covered many rural areas, which can play a vital role in promoting the integrative development of urban and rural areas.

And e-commerce giants like Alibaba and JD have extended their Singles Day celebrations to nearly a month rather than just one day. Driven by e-commerce, the economy's improved efficiency allows consumers to get goods for lower prices on almost any day, not just on Singles Day. E-commerce has given a shot of technology in the arm of the real economy.

Different from making bargains the most important selling point in the past, Singles Day now also showcases e-commerce companies' improvement in areas such as innovation and logistics — for example, convincing consumers that parcels wouldn't be stacked up in warehouses but would be sent by express delivery smoothly.

Alibaba included its offline businesses in Singles Day this year, initiating a "new retail" trend of connecting online and offline sales.

By sharing big data on supply and demand, it aims to help make all businesses, not just e-commerce, more efficient. Besides, technological advances have also helped online retailers to more easily contact and engage with consumers over a longer period of time, as short videos and livestreaming are widely used in the retail sector today.

E-commerce companies are looking to rural areas. As the market in big cities is reaching saturation point, the new exploration will create more opportunities for online retailers to attract more consumers and earn more profits, which would narrow the gap between cities and the countryside, and help eradicate poverty by creating jobs and opening new sales channels.

So rather than keeping an eye on e-commerce gross merchandise value on Singles Day, people should notice that the technology has already helped to boost both online and offline sales throughout the year, both in cities and the countryside, even in China and the rest of the world, which is improving social efficiency.

Big data, algorithm used to better serve customers



Cao Lei, director of an e-commerce research center based in Hangzhou, East China's Zhejiang province.

Cheap prices are no longer

the only determining factor for consumers, especially in cities, to make a purchase, as quality and service have also become important considerations, in accordance with the upgrading of consumption and the industrial structure.

Many e-commerce giants, such as Alibaba and JD, have extended their Singles Day celebrations to nearly a month, not only to increase sales but also to free customers from exhausting one-day shopping, which prevents them from fully enjoying the shopping gala.

Besides, learning a lesson last year that complex algorithms for discounts confuse consumers,

gameplay has been made simpler and funnier than in previous years so customers can get entertainment and better participate in the Singles Day gala. Unlike last year, both online and offline sales were closely connected on Singles Day with the help of new technologies such as self-guided drones and blockchain.

In addition, this year's Singles Day laid more emphasis on serving consumers' needs based on big data and algorithm, instead of just selling goods.

E-commerce platforms play an important role in not only expanding imports and upgrading consumption, but also promoting the development of domestic industries and prompting some to reform in the face of global competition. To overcome the risk of the oversupply of low-end goods in China thanks to the upgrading of consumption, domestic industries must set higher standards when chasing after international brands to enhance their bargaining power and more widely spread their influence globally.

Let the professionals do it

China has seen significant improvements in environmental protection over the last two decades. Thanks to the huge efforts of the Chinese government. With the tightening of control from the national environmental protection bureau, local governments are putting more pressure on their governance area in line with the national policy.

Some local governments have started to request local corporations to disclose their ecological profit and loss. For example, if a company operates a forest in certain area, its annual logging amount should not exceed annual growth of the forest. The surplus should be reflected in its ecological profit and loss statement. For companies that have industrial discharge, they will be given a quota of discharge so as to control the total discharge at a healthy level.

At the same time, a cap-and-trade system is in place to allow corporations to trade quotas. If any company has exceeded its annual quota of discharge, it can buy quotas from other companies that have not fully utilized their allowances.

The whole concept of such disclosure is to quantify the profit and loss of the natural environment and natural resources. Every company is liable for its environmental contribution and has to reflect it in its financial statement. With the cap-and-trade system, it provides a strong incentive for companies to cut emissions for cost savings. Also, it allows a flexibility

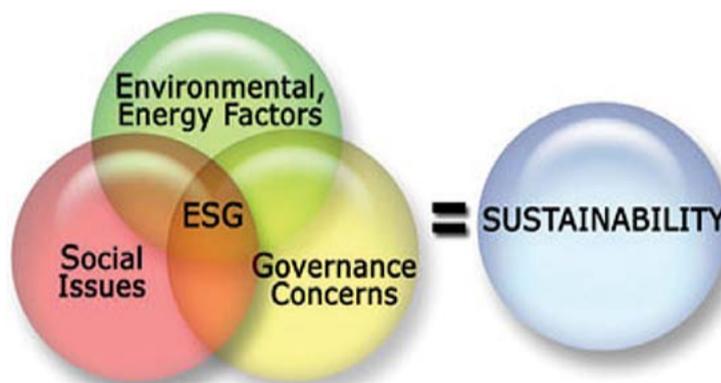


Mr Hauman Yeung, Director of Ascent Partners Advisory Service Limited.

to buy allowances from others when their own industrial processes have not yet fully complied.

The disclosures provide investors or shareholders with very concrete tools and figures to analyze the environmental risk of a company and the effectiveness of its management team in terms of discharge mitigation.

To stay in line with the development in China, there is much room for improving the ESG reporting in Hong Kong. When we reviewed ESG reports published in Hong Kong, the difference in the reporting quality is stunning. While some companies have put great efforts in reporting, quite a number of companies have just turned in reports with identical content or spotted with material errors. Many reports are full of hollow rhetoric compliance statements, such as "we've complied with all the



local legal requirements", that mean nothing to the readers. In view of this, one cannot help wonder if there is a problem on the reporting standard or on the attitude of the regulators on implementation.

HKEx ESG standard has taken reference from GRI report throughout the developing process. It can be regarded as a mini version of the GRI report. GRI was developed in early 2000 and is now a widely recognized global standard. It is a voluntary reporting framework which emphasizes stakeholder engagement as a prerequisite. It provides the flexibility for the companies to ignore all those non-material aspects in their reports. Furthermore, it involves a lot of requirements that have to be reported in a descriptive manner rather than an acute measurable manner. As GRI report is designed for a voluntary reporting at the very

beginning, it does not expect any fraudulence and manipulation by the companies through the stakeholder engagement process.

For the case of HKEx ESG report, it is a mandatory, rather than voluntary, requirement. The audience do not only include stakeholders and the general public, but also regulators, shareholders and investors. Accurate figures and the measurable parameters are essential for a quality report. The GRI framework with a lot of descriptive answers may not be suitable for HKEx ESG. As a mandatory requirement, framework and methodology like ISO standard may be far more suitable for a good and quantifiable report.

Generally speaking, standards like ISO or SA 8000 are far more specific, but it is a prerequisite for application of a standard rather than a disclosure and

compliance standard. Their detailed and concrete parameter requirements should be far more suitable for a mandatory ESG report to take reference of. For example, if we want to know the performance of a company on occupational safety and health, instead of asking open and descriptive questions, a question like "how many first aiders do you have per 1000 workers" seems to make more sense to investors and stakeholders.

HKEx is one of the first exchanges in the world that have a mandatory requirement for ESG disclosure. Up to now, most of the exchanges in the world still have not come to a conclusion on the best standard and how it can evolve into a quantifiable report. It seems that we still have a long way to go for merging of environmental and natural resources information into the profit and loss finance report, let alone consolidating social parameters into an integrated report.

The history of the evolution of accounting standards may be able to provide us some hints on how a conformity standard developed and be widely recognized within 30 years. HKEx should offload their burden to a third-party professional body and let the professionals and civil society to bear the responsibility. In Hong Kong, there are so many well-trained sustainability professionals, though a lot of the ESG reports are not prepared by them. With all the required conditions for a good system available, it is time to let the professionals do it.