

E-Commerce in China

August 2018

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Overview

E-commerce (commerce conducted via the Internet) represents a paradigm shift in international trade. Technologies, processes, and ideas have always disrupted supply chains, logistics, marketing, and regulatory environments, however e-commerce, which emerged in the last few decades, is going further by transforming consumer behavior, blurring the laws behind economies of scale, and opening vast new markets (according to a Cisco report about 1.5 billion more people have access to mobile phones than clean water). Moreover, e-commerce is showing no signs of slowing.

GlobalData estimates the Asia Pacific e-commerce market at \$1.4 trillion in 2017, up from \$535 billion in 2013, representing a CAGR of 27%. This is much higher than Europe and North America, which registered respective CAGRs of 14% and 13% in the same period. The bulk of online spending in Asia comes from China, which surpassed the US in 2014 to become the largest e-commerce market globally. China alone accounts for 75% of e-commerce sales by value among the top 15 Asian markets. In comparison, Japan and India have the next highest shares, at 10% and 3%, respectively.

This report offers Virginia companies an overview of the Chinese market for e-commerce and ways to access and leverage it. Companies will find:

- A summary of current trends (e-commerce business models, platforms, market segments, and market sizes)
- A list of key global e-commerce players that are present in the Chinese market
- Trends in cross-border e-commerce, mobile e-commerce, and mobile payment
- Information on local legislation and regulations
- Useful trade associations, trade events, and e-commerce service providers

(Throughout the report, US dollars values are calculated using the following rate: USD 1.00 - RMB 6.67)

E-Commerce Business Models

There are diverse ways to classify e-commerce business models:

- Business-to-Business (B2B) relationships
- Online retail generally involves the sale of a tangible good, which occurs in Business-to-Consumer (B2C) and Consumer-to-Consumer (C2C) relationships
- A third type, with particular relevance in China, is service-specific e-commerce. This type can also fall under the previous two categories

The scope of the report does not permit further investigation into Business-to-Administration (B2A), usually considered a major e-commerce business model.

Of all three categories, online retail is the fastest growing in China: the growth rate reached 42.4% in 2015, 51.4% in 2016, and jumped to 78.5% in the first nine months in 2017. Furthermore, online retail accounts for 24.52% of the total retail industry in China. It is estimated that among 751 million Internet users in China, 514 million are engaging in online retail. Finally, China's online retail market is 40% of the global total.

B2B E-Commerce

Overview

In B2B e-commerce, the leading players represent 70% of the total business revenue, of which Alibaba is the largest share with 50% of the total revenue. The growth potential of **medium-to-small size** B2B e-commerce enterprises, depends on the strength of economic reforms in China. In 2017, income from medium-to-small size B2B e-commerce enterprises was already RMB 29.17 billion (~ \$4.27 billion).

Major Platform Types

The following platforms are the largest in B2B e-commerce category:

COMPREHENSIVE PLATFORMS

These websites serve as a single platform for companies to find suppliers, order wholesale, make payments, and arrange logistics. “Comprehensive” platforms include products in multiple industry segments. Examples include:

- www.1688.com (by Alibaba)
- www.hc360.com
- www.makepolo.com
- www.globalsources.com
- www.dhgate.com

INDUSTRIAL PLATFORMS

These websites cater to heavy industry buyers. Companies can find suppliers, order equipment, make payments, and arrange logistics on a single platform. Examples include:

- Steel: www.zhaogang.com, www.mysteel.com (www.mysteel.net)
- Plastics: www.zhaosuliao.com
- Coal: www.zhaomei.com
- Chemistry and plastics: www.ibuychem.com, www.huasuhui.com

BUSINESS SOLUTIONS PLATFORMS

These websites provide services to companies, e.g. retail solutions, IT services, financial services, and business communication. Examples include:

- Online retail solutions: www.qianmi.com
- Domain registration and server leasing: www.eb.com.cn
- Social network and trading platform business persons: www.renmaitung.com
- Email service: <http://email.qq.com>
- Business communication platform: www.dingtalk.com
- Software solutions: www.yonyouup.com

VERTICALS

These websites are B2B purchasing platforms for specific industries. Examples include:

- Light industry products: www.yiwugou.com (<http://en.yiwugo.com>)
- Integrated circuits and other electronics components: www.cogobuy.com
- Medicine and medical devices: www.ypzdw.com

B2B Competitive Landscape

ALIBABA

According to the China E-Commerce Research Center, Alibaba is undoubtedly the B2B e-commerce market leader with strong brand recognition and significant global resources. The company owns www.alibaba.com (international) and www.1688.com (domestic). In 2015, 1688.com opened an international purchasing platform, <http://jinkou.1688.com>, an important step in Alibaba's import strategy (see *extensive overview of Alibaba in section on online retail*).

HC360

HC360 (www.hc360.com) is one of the leading domestic trade B2B e-commerce companies (10.5% of the total revenue and 7.9% of market share), using innovative Internet technology to serve small-to-medium size companies with professional information. Its business solutions include online payments, financial logistics, mobile applications, and more.



Source: China E-Commerce Research Center

Online Retail

Overview

In 2017, China's B2C online retail market size totaled RMB 3.6 trillion (~ \$526 billion), which is around 60% of the online retail market. The following graphic shows the growth from 2013 to 2020. In the development of the online retail market, product quality, product diversity, and customer service standards have been key reasons for consumer demand. Higher product quality and standards differentiate the B2C and C2C markets, driving growth in the former.



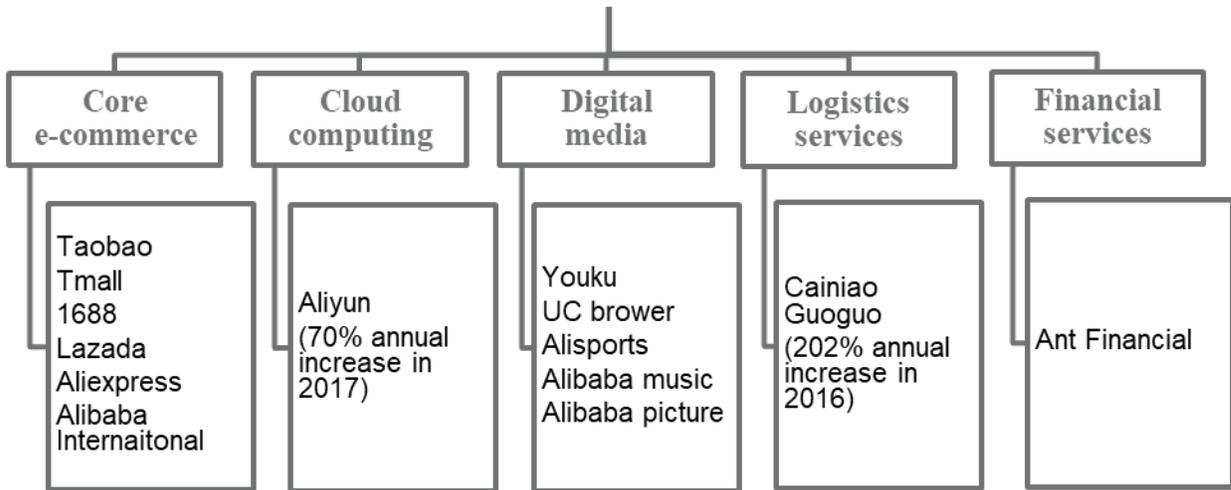
Online retail has assisted the economic development of remote regions in China. Transportation infrastructure, big data, and cloud calculation has increased the efficiency of sending and receiving packages in rural areas.

B2C Competitive Landscape

TAOBAO (C2C) AND TMALL (B2C) BY ALIBABA

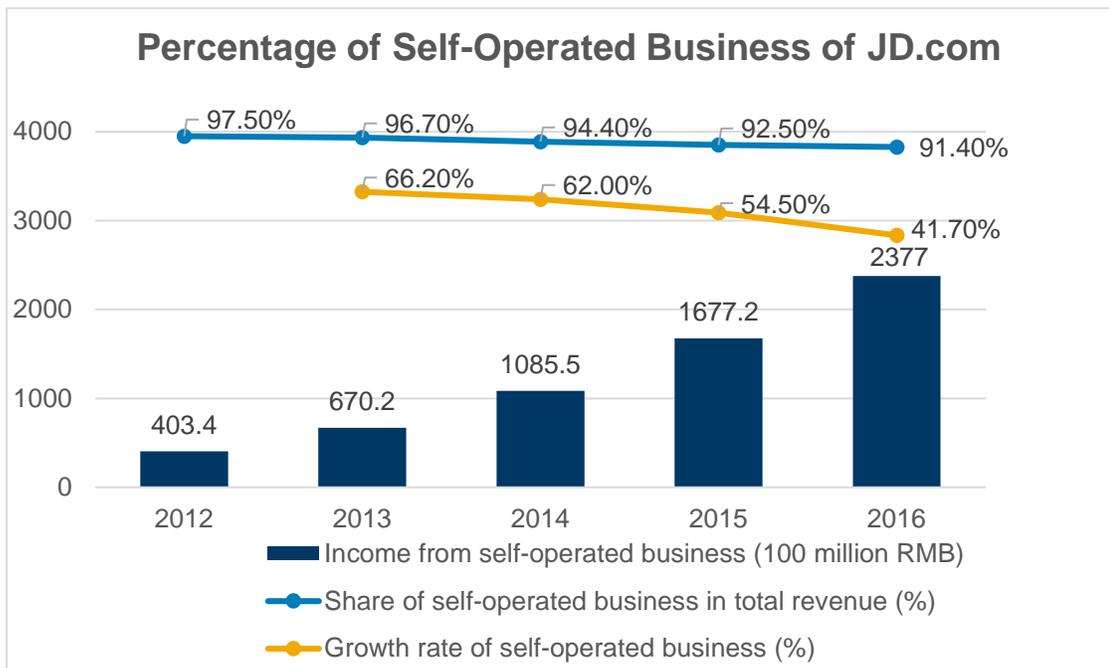
Alibaba businesses cover multiple business models and verticals, however online retail (B2C and C2C e-commerce) is the company's growth engine, generating RMB 114.1 billion in 2017 (~ \$16.7 billion), around 72% of the company's total income. Taobao, a platform offering an almost limitless selection, is still a larger business than Tmall, a platform offering a more limited selection from sellers that are more reliable. Tmall stands to develop at a faster rate as the Chinese middle class grows and customers focus increasingly on product quality and shopping experience. As a result, Tmall is beginning to offer more international and domestic brands. To leverage its success, Alibaba launched a new retail plan in 2016 through strategic partnerships and capital investments in fresh food retail, and offline groceries and supermarkets. Some other initiatives by Alibaba include cloud computing, digital media, Cainiao Guoguo (courier checking platform), and Ant Financial (financial services).

The graphic on the next page shows the five business sections of Alibaba in 2017:



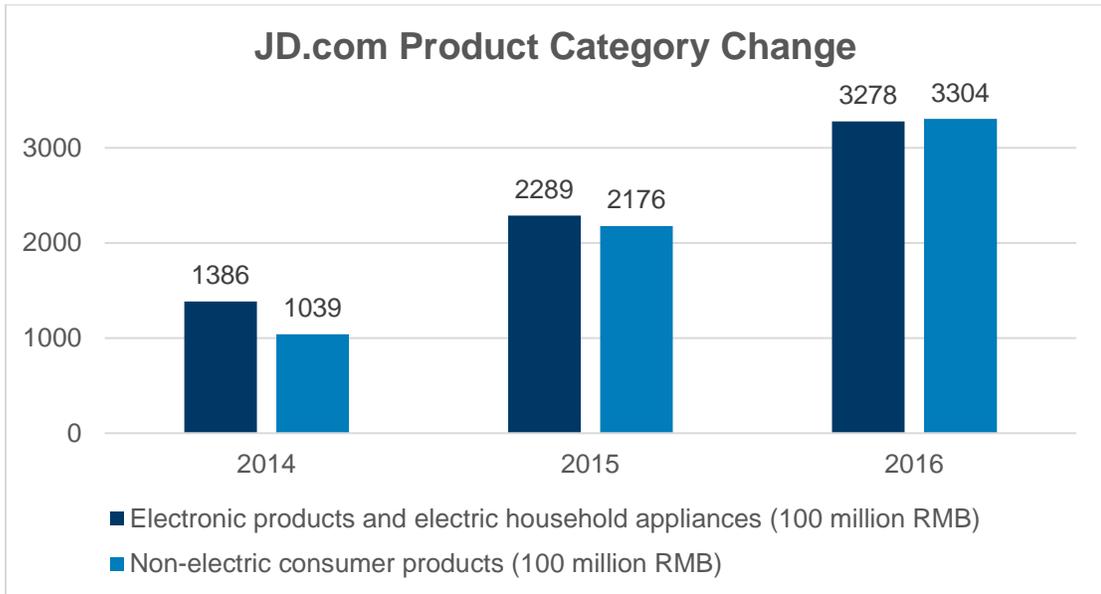
JD.COM (JINGDONG OR JD)

JD.com businesses cover multiple business models, although primarily in online retail. The company profits from a self-operated model, meaning that products are purchased from third party manufacturers or distributors and warehoused before they are sold to customers. This has enhanced JD.com’s product selection, logistics management, and market reputation. In recent years, JD.com has opened its platform to outside vendors in order to broaden SKUs (stop keeping units) and target new verticals; however, this is still in an early stage. In 2016, the self-operated business represented 91.4% of the total revenue.



Source: JD.com Annual Financial Report

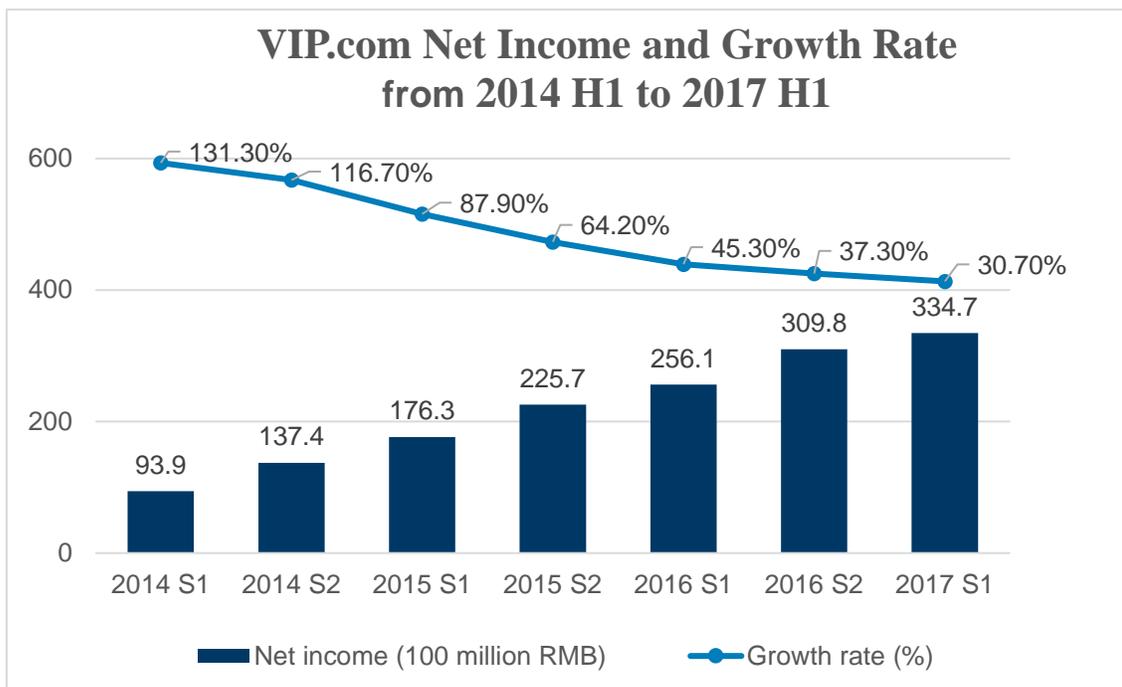
Electronic products and household appliances were traditionally the most competitive products on JD.com, in recent years. In 2016, however, non-electric consumer products surpassed electronic products and household appliances on the site. JD is planning to continue SKU expansion.



Source: JD.com Annual Financial Report

VIP.COM

Established in 2008, VIP.com utilizes an outlet model with discounted prices. Its total income in the first semester of 2017 was around RMB 33.47 billion (~ \$4.90 billion) or around 30% more than the year before. An increasing number of active users and orders guarantee the healthy growth of VIP.com.



Source: VIP.com Annual Financial Report

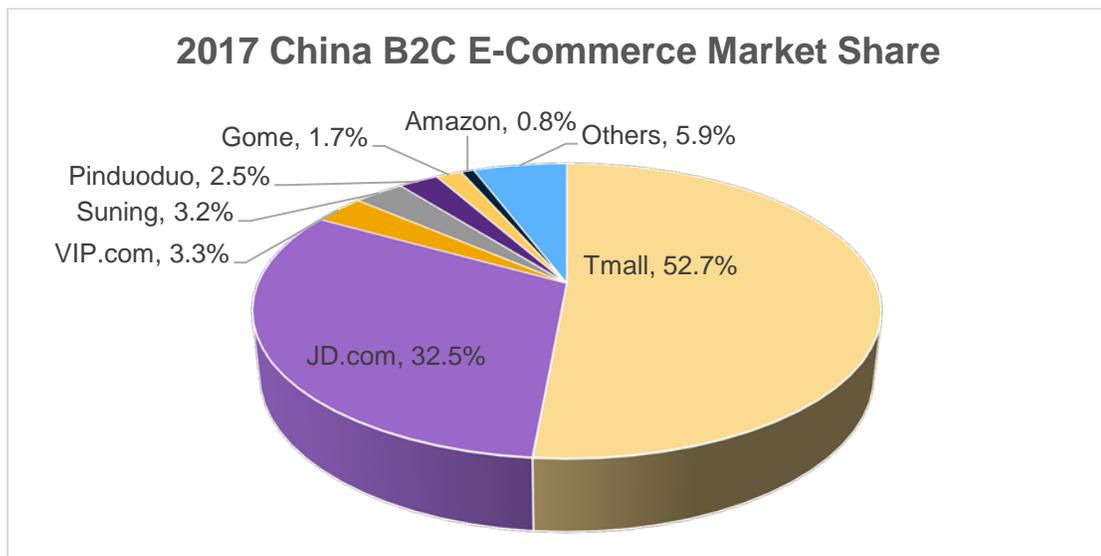
By selling both branded and discounted products, VIP.com attracts consumers of varying demographics. The platform also offers products for a limited time. The rationale behind this model consists of the following:

- A limited time offering increases the sense of urgency among customers to purchase
- The inventory turnover resulting from limited time offerings helps suppliers quickly liquidate a product line
- High brand exposure offsets the discounted prices
- Consumers have access to higher quality products for lower prices

VIP.com began exclusively in the clothing vertical. The product selection has expanded to include shoes & bags, cosmetics, sports products, maternal and baby products, and more. Brands have had more control over the platform recently, with the ability to initiate clearance sales, offer promotions, launch exclusive product lines, and develop specialty products. There are over 20,000 brands on the virtual shelves of VIP.com.

MARKET SHARE

The top five companies shared 91.6% of the Chinese B2C online retail market in 2017. Tmall is the largest player with 52.7% of the market. JD.com and VIP.com are also major competitors. A boom in cross-border imports of fresh food and baby products is spurring start-ups to alter the competitive landscape. Some small companies with great potential include Higo.com, Mia.com, Fengqu.com, Daling.com, and Bolo.me.



Source: China E-Commerce Research Center

Service-Specific E-Commerce

Service-specific e-commerce are companies that focus on selling services through the internet. Not all service activities are adaptable; however, transportation, life sciences, education, finances, and consultation are some of the many areas where e-commerce is flourishing. They tend to rely on decentralized networks. The leading service-specific e-commerce companies in China are in the table below:

Ranking	Website	Services
1	www.58.com	Advertisement
2	www.ele.me	Food delivery
6	www.meituan.com	
3	https://mobike.com	Urban transportation
5	www.didichuxing.com	
9	www.ofo.so	
12	www.10101111.com	
15	www.bluegogo.com	
4	www.yiche.com	Auto-services
20	www.autohome.com.cn	
7	www.ctrip.com	Travel and transportation
11	www.qunar.com	
8	www.lianjia.com	Real estate
17	www.fang.com	
10	www.jia.com	Interior design
13	www.icbc.com.cn	Banking and insurance
16	www.ccb.com	
19	www.taikang.com	
14	www.51job.com	Job listings
18	www.mojichina.com	Weather*

Ranked by Internet Weekly Magazine and eNet Research Institute, 2017

*Companies like Mojichina.com represent a trend in social media and peer-to-peer applications to seek monetization for their service. Moji collects crowd-sourced assessments of local weather and sells the information to companies for targeted advertisements.

Cross-Border E-Commerce

Overview

Heavy demand from Chinese consumers for foreign goods has led to increasing transactions conducted on overseas e-commerce platforms or through purchasing agents. The China E-Commerce Research Center (CECRC) predicts that the number of haitao shoppers (mainland consumers who buy overseas products by directly placing orders on foreign websites and have the goods shipped to China) will increase from 18 million in 2014 to 35.6 million by the end of 2018. The transactional value will also increase from RMB 150 billion (~ \$21.9 billion) in 2014 to RMB 1 trillion (~ \$146.3 billion) in 2018. According to iResearch, 54% of cross-border e-commerce imports originated in the United States in 2015. The next highest shares belonged to Japan, South Korea, and Germany.

Cross-border e-commerce streamlines exports and imports for individual Chinese buyers and overseas sellers. Exporting consumer products on online platforms usually avoids dealing with distributors or agents, labeling, and even some customs regulations. It is a low-cost (time and capital) channel for product sales and market development in China. However, it is still essential to pay close attention to policies governing cross-border e-commerce and duty free warehouses in the long term.

Public Policy Initiatives

PILOT ZONES

Since 2012, the Chinese government has introduced several policies that respond to instances when consumers purchase overseas goods indirectly (through “Daigou” agents). China has introduced 10 pilot zones, including Shanghai, Hangzhou, Ningbo, Zhengzhou, Chongqing, Guangzhou, Shenzhen, Tianjin, Fuzhou, and Pingtan to test new standards for payment, logistics, customs clearance, exchange settlement, inspection quarantine, and more. The government also defines cross-border e-commerce activities as resulting in “bonded imports” (purchased in bulk and kept at a warehouse) or “direct purchase imports” (directly mailed).



Picture and statistics from HKTDC.com

INTEGRATED TAX POLICY FOR CROSS-BORDER E-COMMERCE

On April 8, 2016, the General Administration of Customs and the State Administration of Taxation of the Ministry of Finance released the *Circular on Tax Policies for Retail Import in Cross-Border E-Commerce*, which adjusted China's tax policy for retail imports in cross-border e-commerce. Previously, cross-border e-commerce transactions were treated as personal parcels and subject to tax when they crossed the de minimis threshold of RMB 50 (~ \$7.32) that including VAT and duties.

The new policy specifies that all cross-border e-commerce transactions be subject to import taxes with no exemptions allowed. Single transactions below RMB 2,000 (~ \$292) and total annual transactions for one person below RMB 20,000 (~ \$2,926) enjoy a temporary zero percent tariff rate and reduced import VAT and CT rates charged at 70% of the taxable amount under the general trade. If customs cannot access electronic information for imported cross-border e-commerce retail products, they continue to be considered parcels subject to the same de minimis threshold, however, they are subject to higher general rates at 15%, 30%, and 60%. Experts believe that this policy will remain in place in the near future.

The following table is another view of the tax policy:

Maximum value of each transaction	RMB2,000	Maximum annual total per person	RMB20,000
Purchase of an inseparable item that exceeds the maximum value for single transactions			Taxed in full using the general trade tariff
Applicable product categories	<ol style="list-style-type: none"> 1. Books, magazines, and educational audio-visual products; computers, video recorders and digital cameras; food, beverages; gold and silver; furniture; toys, games, festive and other recreational articles 2. Sports goods (excluding golf clubs and equipment), fishing tackle; textiles and textile products; TV cameras and other electrical appliances; bicycles; other goods not included in 1 and 3 3. Tobacco, wine; precious jewelry and jade, golf clubs and equipment; high-end watches; cosmetics (consumption tax shall be levied for goods in this item.) 		
Applicable tax rates under the maximum values	<ul style="list-style-type: none"> ▪ Import tariff: Temporarily set at 0% ▪ VAT: $17\% \times 70\% = 11.9\%$ ▪ Consumption tax: Tax rate applicable to type of goods $\times 70\%$ 		

LIST OF APPLICABLE GOODS

April 7, 2016 marked the date of release of the *List of Cross-Border E-Commerce Retail Imports* ("positive list") by 11 government agencies, including the Ministry of Finance and the National Development and Reform Commission. Only goods bearing HS codes shown on the list are importable under the April 8 tax policy for cross-border e-commerce. All other goods are importable under the general trade system.

The list covers 1,142 commodities classified under eight-digit HS codes. They products are principally consumer goods, are heavily in demand from Chinese consumers, meet import control requirements, and can enter the country by way of express or regular mail. Included on the list are certain foods and beverages, garments, footwear and headgear, home appliances, cosmetics, paper nappies, children's toys, and thermal mugs.

The *List of Cross-Border E-Commerce Retail Imports (Second Batch)* that took effect on 16 April 2016 covers 151 commodities classified under eight-digit HS codes, including food (e.g. fresh or dried fruit), specialized food (e.g. health supplements) and medical devices (e.g. blood pressure monitor). This list is subject to change and should be monitored by exporting companies.

IMPACT

After the release of the "positive list" in 2016, some cross-border e-commerce platforms encountered obstacles in the customs clearance of some commodities. For example, after the release of the first list, there were reports that some cross-border e-commerce enterprises were unable to get clear baby formula, which is not on the list, leaving the products "stuck" in bonded warehouses.

The agencies announced a transitional period to address this problem. A one-year transitional period was enacted to amend supervision requirements stipulated in the *List of Cross-Border E-Commerce Retail Imports* (both the first and second batches). The agencies offered another one-year extension in 2017, leaving the transitional period in effect until the end of 2018. "Bonded imports" entering the bonded zones in the 10 cross-border e-commerce pilot cities are exempted from presenting their Customs Clearance Certificates. Import permits, registration, and filing are not required for first-time imported cosmetics, baby formula, medical equipment and special food products (including health food products and food for special medical purposes). Import permits, registration, and filing requirements are exempted for "direct purchase imports".

Cross-Border E-Commerce Competitive Landscape

KAOLA.COM BY NETEASE



Kaola.com leverages the strong capital investment and website traffic of Netease to promote its business and attract members. Netease was formerly an online email services and news company with no experience in e-commerce. It started Kaola.com in 2015, became a major competitor to Tmall International and JD Global in just 3 years, and is currently the leading player in cross-border e-commerce.

Since its establishment, Kaola.com has structured itself as a self-operated model, working with overseas brands and top distributors directly. Kaola controls prices, warehousing, logistics, and after-sales services internally. The company enjoys a strong reputation from the authentic brand items it distributes.

Product categories:

- Maternal and baby products
- Beauty and makeup
- Affordable luxury
- Household and personal care items
- Health food
- Apparel, shoes, and boots
- Watches and accessories
- Digital and home appliances
- Other food items
- Sports and outdoor equipment

To register as a vendor on Kaola.com, please visit: <https://www.kaola.com/merchants.html?type=en>

TMALL INTERNATIONAL



Tmall International (Tmall.hk) went online in 2014. As the biggest B2C operator in China, Tmall ensures its international platform attracts well-known global retailers, e.g. Macy's, Costco, Chemist Warehouse, Victoria's Secret, LG, etc. It also set up a cross-border e-commerce product demonstration store in Hangzhou.

Product categories:

- Maternal and baby products
- Beauty and personal care
- Health food
- Apparel, shoes, and bags
- Digital and home appliances
- Other food items

To register as a vendor on Tmall International, please visit: <https://rule.tmall.hk/rule/index.htm?spm=0.0.0.0.6jzy20> (mainly in Chinese)

JD GLOBAL



JD Global (JD.hk) allows customers to search for products by country of origin, e.g. United States, France, United Kingdom, Japan, South Korea etc. Many well-known global retailers are vendors on the JD Global platform, e.g. Walmart, Lidl and Rakuten etc.

Product categories:

- Milk powder and dietary supplements
- Diapers
- Beauty and personal care
- Health food
- Other food items
- Digital and home appliances
- Watches and accessories
- Apparel, suitcases, and bags
- Sports and outdoor equipment
- Auto supplies
- Affordable luxuries

To register as a vendor on JD Global, please visit: <https://www.jd.hk/service/joinus.html>

VIP.COM INTERNATIONAL



VIP.com International (Global.VIP.com) went online in 2014 as the cross-border e-commerce channel of VIP.com. Based on a self-operated model and in-house logistics, VIP.com International manages most of the cross-border import process from the product source until final delivery.

In 2018, VIP.com International identified two key strategic goals:

- 1) Increase overseas warehouse coverage in more countries
- 2) Broaden product selection and increase SKUs

Product categories:

- Milk powder
- Diapers
- Beauty and personal care
- Health food
- Other food items
- Digital products
- Watches and accessories
- Apparel, suitcases, and bags
- Sports
- Affordable luxuries

For vendors outside the Chinese mainland, please contact: global@vipshop.com

YMATOU.COM



Established in 2010, Ymatou.com was the first overseas shopping platform in China. After the cross-border commerce tariff policy launched in early 2016, Ymatou became the first cross-border e-commerce platform to implement fast system exchange with Customs.

As of Q3 2017, Ymatou has 48 million members and 60,000 certified buyers in 83 countries.

Product categories:

- Maternal and baby products
- Beauty and personal care
- Health food
- Other food items
- Digital and home appliances
- Underwear
- Apparel, suitcases, and bags
- Sports equipment
- Watches and accessories

To register as a vendor on Ymatou, please visit: <http://staticcontent.ymatou.com/html/merchant/index.html> or contact

Los Angeles: 11135 Rush St., Suite B, South El Monte, CA 91733
San Francisco: 356 S. Abbott Ave., Milpitas, CA 95035
New York: 141-05 Cherry Ave., Apartment 1E, Flushing, NY 11355

XIAOHONGSHU.COM



Xiaohongshu was originally an overseas shopping tip-sharing community. It then developed into a self-operated shopping platform with high traffic and high penetration. The platform is only available through a mobile phone application.

Product categories:

- Maternal and baby products
- Skincare
- Cosmetics
- Health food
- Other food items
- Digital and home appliances
- Accessories and handbags
- Apparel, underwear, shoes, and boots
- Sports equipment
- Pet care

To register as a vendor on Ymatou, please visit: <https://www.xiaohongshu.com/partnership> (in Chinese)

AMAZON.CN



Amazon.cn is one of a few global marketplaces set up by Amazon US. It provides both domestic products from mainland China and cross-border products.

Product categories:

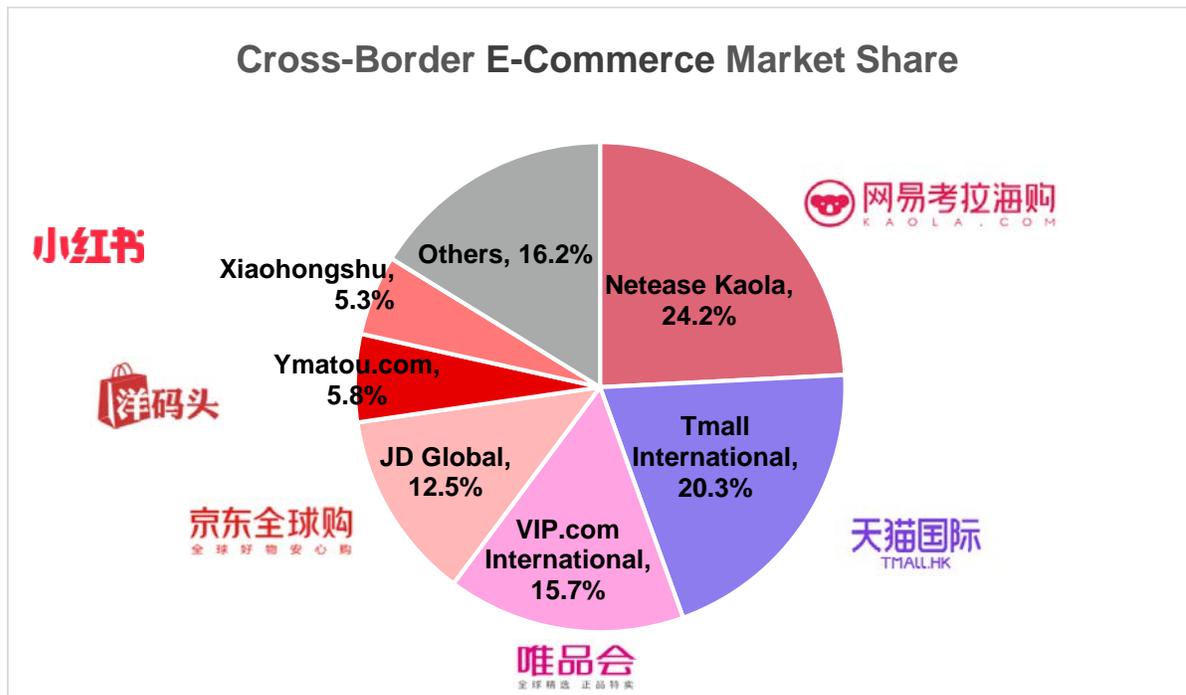
- Maternal and baby products
- Skincare and cosmetics
- Food
- Electronics
- Toys
- Office supply
- Household and kitchenware
- Suitcases, watches, and jewelry
- Apparel, shoes, and boots
- Sports and outdoor equipment

To register as a vendor on Amazon.cn, please visit:

https://kaidian.amazon.cn/services/cb/benefit.html/ref=as_cn_services_head_cb

MARKET SHARE

According to iiMedia Research, Netease Kaola is the leading player with 24.2% of the cross-border e-commerce market. Together, Tmall International, VIP.com International, and JD Global capture close to 50%.



Source: iiMedia Research

CUSTOMER ANALYSIS

Age: According to iResearch, cross-border e-commerce customers are mainly white-collar born in the 1980s (56.3% of customers) and the 1990s (21.7% of customers). They tend to be employed in management positions (24.1% of customers) or as staff in private companies (15.3% of customers)

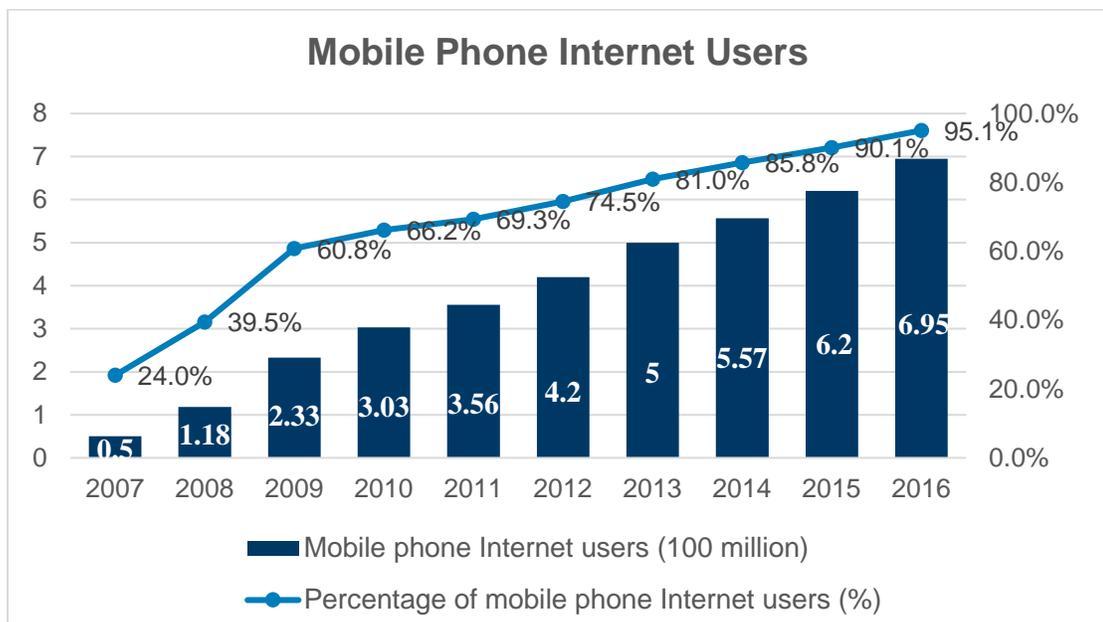
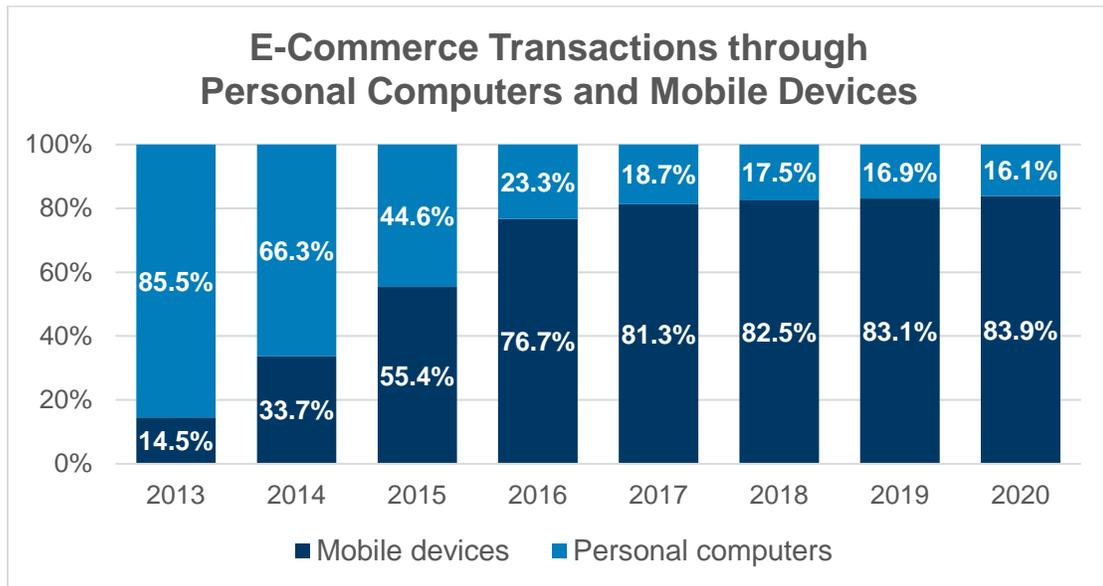
Location: Consumers in first-tier cities such as Beijing account for 13.2% of all customers. Other cities that participate heavily in cross-border e-commerce are Shanghai (10.1%) and Guangdong Province (19%). Most customers are in the coastal areas of East China and South China, which are also the most developed areas in China.

Products: Food and cosmetics are the most frequently purchased products, accounting for 55% and 49% of all purchases, respectively, followed by apparel, shoes and bags at 48.3%. iResearch projects customers to favor apparel, digital communication and electronic devices, and sports and outdoor equipment in the future.

Mobile Phone E-Commerce

Overview

In 2017, e-commerce on mobile devices accounted for 81.3% of total e-commerce transactions. It is now the principal online shopping channel for Chinese customers. Companies should pay close attention to purchasing behavior data for mobile devices and develop an efficient and targeted marketing strategy.



Source: Both charts consolidated from public data

Mobile Payment

Mobile payment is turning China cashless.

OVERVIEW

Virtual wallet systems, developed by mobile payment players, allow users to make instantaneous online payments. These virtual wallets also work in-store and for vending machines, leading to a significant transformation in Chinese daily life away from physical cash.

China is the largest country for mobile payment in the world. In the first quarter of 2017, RMB 580 billion (~ \$85 billion) was paid through QR code scanning in China, 606.8% more than the same period of 2016. Data from iResearch shows that the value of China's mobile payment market tripled to more than RMB 38.5 trillion (~ \$5.6 trillion) in 2016 and reached RMB 55 trillion (~ \$8 trillion) in 2017.

COMPETITIVE LANDSCAPE

WeChat Pay is slowly overtaking the market share of Alipay, although both services remain popular and will continue being market leaders. As seen below, the applications are used for different purposes and are not simply carbon copies.

Alipay

Alipay, owned by Alibaba, dominates the online payment market. According to Statista, Alipay held almost 70% of the market in China in 2015. Alipay can be used not only for Alibaba's e-commerce sites, such as Tmall and Taobao; it is compatible with numerous other domestic and international businesses.

When used online, Alipay offers an escrow service – the payment from the buyer is only released to the seller once the goods are acknowledged as having been received. In cases where the buyer does not respond within a specified time (such as seven days) to indicate they have received the goods, parcel tracking is employed.

Alipay's mobile payment app allows for instantaneous payments by scanning barcodes or QR codes on smartphones. In 2013, Alipay also introduced sound wave technology, which allows users to pay for items from vending machines in subways by simply holding their smartphones in front of the machine's sensors.

WeChat Pay

WeChat has developed its business activities substantially since its founding as a chat application in 2011. This includes allowing account holders to pay bills and fines, make bookings, pay their share of group bills at restaurants, and send 'pocket money' to friends during Chinese New Year.

WeChat's virtual wallet payment system was introduced in 2013, and is very convenient to use because it is incorporated into the application itself. This means users can pay for goods instantly, without exiting the application to go to another site.



Source: Analysys International

GLOBAL COMPARISON

Most Chinese are accustomed to paying for almost everything with their phones. However, for foreign visitors who are not familiar with this process, it may seem strange. Already, some foreign companies in foreign countries are accepting payment on Chinese mobile platforms to greet rising numbers of Chinese tourists. According to Xinhua News Agency, WeChat Pay is available in 13 overseas countries/regions, and Alipay in over 200.

Entering the Market

Successful Case Studies

CHEMIST WAREHOUSE



Chemist Warehouse signed an exclusive strategic partnership agreement with Tmall International on September 22, 2015. In the area of cross-border e-commerce, Chemist Warehouse is most notable for supplying Chinese consumers with Australian products.

Using the platform created by Higou360, Chemist Warehouse achieved RMB 25 million (~ 3.7 million) in sales on November 11, 2015. That is the date of the Double Eleven Festival Promotion (an online shopping festival first created by Alibaba in 2009). Chemist Warehouse is now the top leader of food supplement products on Tmall International.

UNILEVER



In 2015, Unilever initiated a cooperation with Alibaba. A different QR code was printed on the packaging of every ice cream. When customers scanned the code with a Taobao scanner, they received 5Mb free cellular mobile traffic. Between May 1 and September 30, customers accumulated free cellular mobile traffic from every Unilever ice cream they bought.

Unilever used an off-line product, ice cream, to establish a connection with customers on the Internet. Most ice cream consumers are young people. Over 1.6 million customers participated in the promotion, which brought Unilever a vast amount of customer data to use in future marketing and research and development.

PROCTOR & GAMBLE



In the Tmall flagship store of P&G, there is an icon for customers to type in their mobile phone number. P&G matches the number with its offline CRM database to find the purchase history and reward point records. This mobile phone number binds with Taobao ID automatically for the customer to enjoy benefits from both online and off-line purchases, e.g. coupons, gifts, lucky draw, reward points, Starbucks coupons, cellular mobile traffic etc.

Through big data, the campaign increased member registration tenfold; doubled the number of repeat buyers, and increased transactions per customer by 80%.

MI (XIAOMI)



Xiaomi sold 2.1 million mobile phones in 12 hours during the Mi Fan Festival of 2015. The company now holds a Guinness World Record for the most mobile phones sold in 24 hours on Internet. Besides brand quality and overall reputation, Xiaomi's e-commerce success is the result of effective "hunger marketing", a term that describes companies that rely heavily on promotions, pre-ordering, and limited offerings to create the illusion of substantial customer demand.

PEPSI



Pepsi had conducted internet sales for many years. It partnered with Tmall in 2011 and set up a flagship store on the platform in 2013.

For the "Year of Monkey" in 2016, Pepsi created a video advertisement of a famous actor who played in a movie about the Chinese Monkey King legend. The video went viral on WeChat friend circles and Mini-blogs. This campaign, during the Spring Festival "Bring Happiness Back Home", became very profitable. Targeted marketing, fast channel control and on-line off-line interaction are the main reasons for Pepsi's success.

Trade Associations and Trade Events

INTERNET SOCIETY OF CHINA

<http://www.isc.org.cn/english/>

Location: Beijing
Tel: +86-10-66019076
Fax: +86-10-66019076
Email: ISC@isc.org.cn

The Internet Society of China (ISC) was inaugurated on May 25, 2001. Over 70 network access carriers, ISPs, facility manufacturers, and research institutes originally sponsored the ISC. The current Chairman is Mr. Hequan Wu, of the Chinese Academy of Engineering. The main office of ISC is located in Beijing.

ISC has more than 1200 members including legal companies, research institutes, academic associations, universities and other organizations engaged in various activities related with the Internet.

CHINA ELECTRONIC COMMERCE ASSOCIATION

<http://www.ec.org.cn/>

Address: No. 27 Wangshou Road, Haidian District, Beijing, 100846
Tel: +86-10-68208238, 68200728, 68200680, 68208247, 68200716
Fax: 010-68208238, 68200728
Email: ec@ec.org.cn

The Ministry of Information Industry approved the China Electronic Commerce Association in 2000. It is a national association of e-commerce related enterprises and individuals.

CHINA INTERNET CONFERENCE

<http://cic.isc.org.cn/>

Location: Beijing
Dates: July 10-12, 2018

WORLD INTERNET CONFERENCE WUZHEN SUMMIT

<http://www.wuzhenwic.org/>

Location: Wuzhen, Zhejiang Province
Dates: Usually every December

E-commerce Service Providers

BAOZUN

www.baozun.com

Hotline: 400-666-1000
Business Cooperation: bd@baozun.com
Media: pr@baozun.com
Marketing cooperation: marketing@baozun.com

Baozun is the largest e-commerce service provider and a leading digital technology and solutions company in China. The company offers integrated solutions that encompass all aspects of the e-commerce value chain, including IT solutions, store operations, digital marketing, customer services, warehousing and fulfillment. Baozun helps brands execute their e-commerce strategies in China by selling their goods directly to customers online or by providing services to assist with e-commerce operations on China's largest online shopping platforms – Tmall and JD.com, as well as on mobile shopping malls and off-line smart stores.

Baozun was founded in Shanghai, China in 2006. Over the past 12 years, it has established branches in Hangzhou, Beijing, Hong Kong, and Taiwan, and overseas offices in Japan, Korea and the United States.

Baozun was listed on NASDAQ in May 2015. Since then, Baozun has gained dominative market advantage in China, with a market share of 25%, with triple the market share than the next largest player.

ACCEL E-COMMERCE COMPANY (HIGOU360)

<http://www.higou360.com/en/index.html#/>

Tel: +86-21-33531675-8311
Email: bd@higou360.com

One of the core business of Accel E-commerce Company is to provide a complete online platform and an operating plan to each client; helping client brands to operate and manage their online stores. With years of experience in e-commerce and operations management, Accel E-commerce Company can provide individualized logistic solutions for the client brand's supply chain and help the brand develop internal warehousing logistics.

RKYLIN GROUP

www.rkylin.com

Tel: 400-800-2754
Email: bd@rkylin.com.cn

Rkylin Group, a leader in digital technology and commercial solutions, was founded in 2009 and is headquartered in Beijing with branch companies in Shanghai and Dalian. It has 800 employees in total.

Rkylin Group has developed a strategic system integrating iRelint, Rkylin E-commerce, FaceTouch Digital and Ruixue Soft. Its solutions include Internet business consulting, one-stop e-commerce services, digital marketing, financial service ecosystems, SAAS cloud platform service, and multi-brand group-based management. For large companies, the Rkylin Group can assist with big data-driven CRM services, helping enterprises mine information to develop closed-loop marketing initiatives.

NETOPS

www.netopstec.com

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E-mail: meimei@netopstec.com
General line: +86-571-87077702

Netops is committed to providing quality professional services for international brands and providing a customized service to help brands rapidly enter the e-commerce market. They take an innovative approach to link brands with domestic consumers, dedicating all their resources to protect and enhance the brands' online presence and reputation, and keep the brands in communication with customers, thus boosting sales.

Additional Recommendations

1. Find the right path and model to enter into China e-commerce market; the business model and market dynamics in China could be quite different from those in the United States.
2. The e-commerce market is an integral part of the Chinese business landscape. To capitalize on this, there are many options:
 - a. Sell to the self-operated e-commerce operators directly
 - b. Sell through cross-border e-commerce channels into China directly from the United States
 - c. Sell through distributors' online stores
 - d. Hire e-commerce service providers to set up your own online stores
3. Make full use of big data techniques to understand consumption patterns and promote sales in China
4. Make use of new and popular marketing tools and channels
 - a) Event marketing
 - b) Word of mouth marketing
 - c) Experience marketing (feelings, dreams, thoughts, actions)
 - d) New media marketing: BBS, Internet magazines, blog, mini-blog, WeChat, etc.
 - e) Demand-side platform marketing and "hunger marketing"
 - f) SEM and SEO
 - g) Video marketing: Youku, Tik Tok, etc.
 - h) Mobile payment channels

Conclusion

Most of the companies in the competitive landscape of Chinese B2B, B2C, C2C, cross-border e-commerce, etc. are engaging millions of customers each day. With the increasing influence of China internationally, the platforms discussed in this report are giving unprecedented visibility to consumer products sold online. E-commerce will be affected by looming trade wars but the flexibility of cross-border e-commerce policies and the light logistic footprint will ensure that e-commerce continues to prosper. Moreover, the Chinese middle class is growing and may even pay a premium for Virginia products, especially food and beauty products. Finally, adapting to the technology associated with Chinese e-commerce, such as mobile pay, may transform the way Virginia companies do business at home!