

A conceptual image for a report on Chinese e-commerce. It features a laptop with a US dollar bill flying out of the screen, set against a brick wall background. The text 'THE FUTURE OF CHINESE E-COMMERCE' is overlaid on the laptop screen.

# THE FUTURE OF CHINESE E-COMMERCE

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Selectspecs

“ We are a team of 42 people ”



## OLIVIER VEROT

Founder

Founder of Gentlemen Marketing Agency, Olivier is an expert in Chinese Digital Marketing with over 10 years experience. With a passion for the Chinese digital eco-system his aim is to increase the accessibility of this market for international business. Olivier owns the website Marketing-chine.com, one of the top 3 marketing websites in France & has pioneered the growth of GMA to become the largest & most visible Chinese digital agency.

## PHILIP QIAN

Co-founder

Co-founder of Gentlemen Marketing Agency, Philip is a specialist in digital growth, tourism and industry. His smart and pragmatic approach to Chinese digital has led Philip to become a key expert in his field. He has over 150 projects under his belt & offers consultation services on large scale projects



## ALEXANDRE LEGAGNEUX

International Business Manager

Alexandre has extensive experience in E-Commerce & Digital Promotion, and helps major European & US brands that wish to develop their sales strategy in China. With connections to most popular e-commerce platforms in China, we can offer targeted media buying for targeting luxury consumers.

## MARCUS ZHAN

Account Director

Marcus focuses on lead generation & SEO projects. In his 8 years experience he has worked on over 300 projects. He implements Real Estate campaigns by building both lead generation strategy & reputation on local platforms.



## BENJI LAMB

Real Estate & Financial Director

Benji has spearheaded the growth of GMA's Real Estate & Financial marketing services with over 20 projects under his belt. He's developed smart strategies to drive lead generation & reputation building for increased sales conversion. His focus is on providing education & insights for Chinese investors as a point of differentiation.



## THE FUTURE OF CHINESE E-COMMERCE

China E-Commerce is 'Just the Beginning':

I was lucky enough to be invited to Alibaba's London HQ last month for talks on China digital growth & strategy from China's leading e-Commerce Giant.

It was a full house with a palpable air of excitement & growing sense of optimism when it comes to e-Commerce in the Middle Kingdom, I left feeling fired up about the role & impact China Commerce is having on a global scale.

It's hard to describe but digital & E-Commerce in China just feels so rich with potential, to quote Alibaba's chief of technology: 'Humankind is at the beginning of the beginning of the beginning' regarding the application of the internet.



## 1 E-COMMERCE MARKET IN CHINA

### CHINA E-COMMERCE: THE FUTURE IS ALREADY HERE

China is not only the largest e-Commerce market in the world but also undoubtedly the most exciting, innovative & unique in the world. It is setting the benchmark for present & future global retail across the globe which makes it an important market to study & understand.

This success is being driven by mobile consumer behavior, innovative social commerce models, trusted digital payment systems & innovation in 'new retail' through O2O (the increasingly seamless fusion between online & offline experience).

According to Statista's latest report online sales in B2C e-retail reached US \$499,150 billion, up from \$403,458 billion in 2016. Enormous figures but consider that projected data for 2022 is at \$956+ billion.

<https://www.statista.com/statistics/246041/forecast-of-b2c-e-commerce-sales-in-china/>

This is market bound for future growth considering continued GDP growth of 6.9% in 2017. To paraphrase Chi Lo, BNP Paribas Investment Economist for China; "The Chinese economy is going through a phase of «creative destruction» as lively new economy sectors like e-commerce and online financial services coexist with still-dominant old economy sectors".

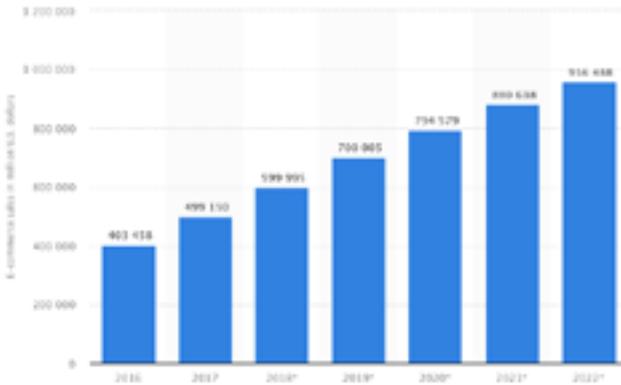
E-commerce in China has been growth fueled by extortionate rentals on physical retail space, convenience compared to shopping in polluted, congested, vast urban areas & of course, the Chinese propensity for online services in such a digital centric ecosystem.

The growth of China e-Commerce on a global scale has led to brands worldwide vying to adapt & succeed in this wholly unique market place.

## CHINESE'S O2O E-COMMERCE

The seamless combination of offline & online is exactly what we are witnessing happen.

O2O (offline to online) essentially removes the '2' to become one seamless process as online retail stores launch offline locations across the country whilst physical stores integrate online experiences as, not just a gimmick, but an essential part of the consumer experience.



Source Statista: Retail e-commerce sales in China from 2016 to 2022 (in million U.S. dollars), projected incremental rise in sales figures over this 6-year period.



Starbucks Newsroom. Utilizing AR (powered by Taobao's Mobile APP) Tech Visitors could point their phones at various locations around the Shanghai Roastery to get an insider's digital look, including insights into different roasting casks & various brewing methods.

## IMPORTANT E-COMMERCE TRENDS TO LEVERAGE

### A UNIQUE ECOSYSTEM: THE GROWTH OF 'NEW RETAIL' AS THE 'NORM'

China E-Commerce is really a universe in & of itself. Digital development in China happened within the confines of the 'Great Firewall', this barrier for external online services created a vacuum for the fascinating and unique e-Commerce infrastructure we see today.

Platforms & services, having been designed to cater for Chinese consumers, are now setting a global precedent for future commerce with the growth of what is termed 'New Retail'.

The term 'New Retail' was coined by Alibaba Chairman Jack Ma in a letter to shareholders in October 2016. The visionary Ma wrote that:

"Pure E-Commerce will be reduced to a traditional business & replaced by the concept of 'New Retail', the integration of online, offline, logistics & data across a single value chain".

### NEW RETAIL BECOMES ESSENTIAL IN CHINA

The speed of development in China is often breathtaking, particularly with reference to how the conversation is shifting from whom is incorporating New Retail to how best to do it & further innovate in this area. New Retail basically works by coupling convenience with experience in conjunction with big data analysis, the focus being on consumer experience.

New Retail is shifting from a novel concept to the Mass Market sector. Alibaba, for example, expects to grow its current 20+Hema grocery stores to 2,000 over the next 3-5 years, in addition to rolling out New Retail across its Intime, RT-Mart, Auchan, Suning chains.

Tencent is also growing in this area as they invest into digital integration with the likes of Carrefour & Wanda Plaza's, there's talk about unmanned WeChat stores & smarter chat bots being embedded in mini programs by the likes of Rikai Labs to further elevate customer services.

## A MORE DIVERSIFIED CROSS-BORDER MARKET

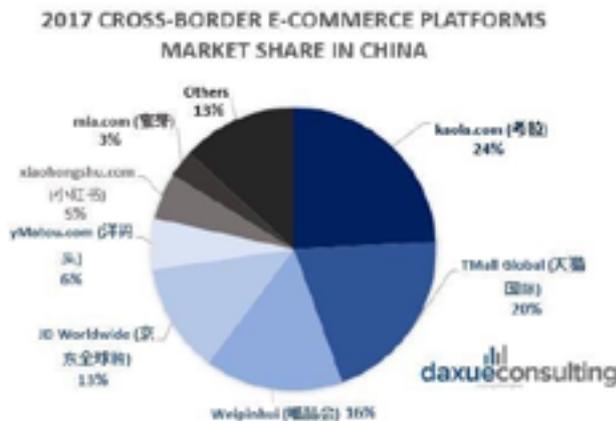
The landscape is becoming more fragmented rather than just a two horse race between Alibaba & Tencent in the Cross-Border sector.

According to a report by iResearch 4 platforms have a market share of 12.5% or above (Q3 2017). An interesting report that surprised analysts & experts alike.

Tmall Global (20%) & JD Global (13%) are key players but note the dominance of Koala (24%) and Weipinhui (VIP) at 16%. This is starkly different from domestic e-retail figures where Tmall & JD, clearly dominate with a combined share of 83.7% (Q3, 2017).

Koala are backed by Netease enabling this platform to translate its established news portal and trusted online gaming user base into potential buyers. Koala's user base are tech-savvy, free-are spending & knowledgeable of Foreign Products.

Similarly VIP is also growing their network of consumers & brands through an online discount sales model, it often runs 'flash sales' for specific product lines which have galvanized significant attention.



Credit iResearch, daxue consulting: 2017 Cross Border E-Commerce Market Share

## THE RISE IN MID-TIER E-COMMERCE CHANNELS FOR CROSS-BORDER SALES IN CHINA

As Tmall & JD focus on the domestic market for same-day delivery improved supply networks & investment in new retail other cross-border players grow their role & status for cross-border goods & services.

Tmall Global and JD Global as the largest platforms by GMV have more stringent barriers in place for international brands. Essentially, they will largely select & audit what brands can launch on the platform. Certain categories such as cosmetics, Nutrition, Health & Wellness are categories in demand by these platforms, but many others are less well suited (remember they are both primarily domestic market focused).

Another evident issue is the cost of launch, set up, media buying & marketing channels. For Tmall & JD the cushion required is far higher than on Koala, VIP or Little Red Book, for example.

This leads to opportunities for a 'stepping stone' approach for brands, whereby they can enter the market in more manageable stages rather than having to make a large-cost, one time, leap of faith.

It's also down to smart competition with Kaola setting high sales KPI coupled by the support of Netease content channels. Little Red Book, whilst a small percentage, remains a promising channel in terms of 'social commerce' coupling social sharing & communication tools with their e-retail infrastructure.

Other factors to consider are that successful brands tend to move their cross-border stores to the domestic equivalents (which unsurprisingly drive higher traffic than their cross-border counterparts) once they are successful & can apply for & meet local product & brand licensing requirements. Global brands are also getting China savvy, adding their own Chinese payment gateways, China marketing & stable deliveries through their own logistics networks.

## 2 E-COMMERCE MARKET IN CHINA : ALL THE OPPORTUNITIES TO DEVELOP YOUR SALES

### THE GROWTH OF MULTIPLE E-COMMERCE FESTIVALS IN CHINA

Alibaba's E-commerce 'festivals' in China are now supported by Hollywood scale trailers, highlighting the magnitude of 'block buster' digital consumerism.

The TMALL Winter Festival in January 2017 (see screenshot) was a five-day sale offering shoppers promotions on thousands of winter and sport-related items in the run up to the Winter Olympics.

For brands these series of events present a great opportunity to promote relevant product lines, design fresh creative & tailor content to trending commerce themes in China.

Indeed this year alone TMALL will run events spanning (to name a few).

- The Winter Festival
- Chinese New Year Brand Day
- Mom & Baby Brand Day
- Super Brand Day's
- Imported Products Festival
- Wedding Celebrations
- Children's Day
- The 618 / 88 / 99 Carnivals
- Pre Double 11
- Double 11
- Black Friday
- Double 12
- Christmas Festival

To tap into these developing trends a smarter relationship between Third Parties & Marketing Creatives is required that keep brands fingers on the pulse of China e-commerce.



*Alizila: The Tmall Winter Festival Was Designed to Galvanize Interest in the Winter Olympics, Alibaba is Official Partners of the Olympics (The Next Winter Olympics will notably be held in Beijing).*

### THE GROWING IMPORTANCE OF PRODUCT CATEGORIES

Aim to build your brand in China as a key player within specific product categories, brands have to adapt their strategy to cross-border infrastructures when it comes to display & marketing... not vice versa.

This visual depicts the top categories purchased from countries on cross-border platforms (2017 Q2/Q3). Marketing products by local categories are integral to Chinese e-commerce strategy.

Why? Because consumers search for product & service types in this way. What's the implication of this?

- 1) Understand Your local product categories and how ad / marketing strategy connects with this (think Mandarin keywords, store set up / 'tagging' of products, designing creative, etc.).
- 2) Aim to build your brand reputation on a category by category basis, here you can carve your niche.
- 3) Understand that different cross-border platforms are associated with different product types.

For example:

- Tmall Global is strong for Health & Nutrition.
- Tmall is a key player in many categories, notably fashion & cosmetics.
- JD is more associated with electronics, appliances & increasingly fashion.
- Xiaohongshu has a higher proportion of mothers on the platform, thus baby & family products are a good fit.
- Leveraging platforms based on product category specialization is a step towards more savvy engagement with Chinese consumers.

**TOP CATEGORIES PURCHASED CROSS-BORDER BY CHINESE CUSTOMERS, BY COUNTRIES, Q2&3 OF 2017**



Azoya's Retail Network, iMedia, top purchase categories Q2&3 of 2017.

**A WIDENING MARKETING DEMOGRAPHIC WITH THE 'SILVER'**

E-commerce in China is no longer just for young, tech Savvy millennials as the older generation are catered for with rise of the "silver economy." The number of people over 60 years old is expected to exceed a whopping 255 million by 2020 (data from statistica).

With Chinese New Year approaching Alibaba released a 'Taobao for Seniors' service, reflective of the wider trends in 'social commerce' as a way of broadening consumer demographics. The screenshot shows the Taobao store with family member profiles connected. Services include a new peer-to-peer chat function, allowing family members to share products, as well as a new "pay-for-me" option to pay for another's purchases.

This 'silver economy' market may well become highly relevant in the digital space with questions around what e-com players do to tap into it being raised in 2018.



Screenshot showing the Senior User's Taobao account connected with their family network for 'assisted shopping' services.

**A SHIFT FROM C2C TO A B2C DOMINANT MODEL**

A major development in China E-commerce has been the shift from C2C to a B2C dominated model (Q1 2016 - Q3 2017) as this market has evolved. The YoY growth rate of the B2C online shopping market was 43.7% in Q3 2017 whilst that of C2C was only 13.5%.

B2C is thus now the mainstream model, accounting for 61.1% of China's online shopping GMV (Q3 2017). Remarkable if you consider how C2C platforms such as Taobao have thrived for so long (note, however, it's still the largest commerce platform in terms of DAU's with approx 55 million).

The growth of B2C arguably reflects the upgrading of consumption trends, just one example is the aforementioned 'new retail' innovation being driven by initiatives with brands on major B2C commerce channels. It's evident that this developing infrastructure represents opportunity for brands to;

- Control communications / their sales infrastructure with official partners.
- Offer products / services of a higher quality on a more advanced range of B2C channels.
- Develop more targeted, channel specific strategy RE Marketing & Advertising.

### **3 HOW WE CAN HELP YOU DEVELOPING YOUR E-COMMERCE STRATEGY IN CHINA**

#### **AN AGENCY SPECIALIZED IN E-COMMERCE IN CHINA**

Every company looking to enter the Chinese e-commerce market needs to adapt its strategy to local needs partners. More than just a simple services provider, we'll be your guide in the complex maze that is the Chinese-E-commerce market to help you reach your goals.



#### **E-COMMERCE CONSULTANTS**

We'll be able to give you advice on which platforms are most suitable for your project and create a custom-made, multi-channel strategy. In China, e-commerce platforms are numerous, it's really easy to choose the wrong platform. Choose the good platforms will help you to be effective and don't waste your time and money.

#### **SEO EXPERTS ON BAIDU**

Our focus is to promote your e-commerce business with your target closely in mind. To sell, you need to be visible & reputable. In order to achieve this we can use digital tools including; Baidu SEO and SEM, E-PR, Media Buying (DSP) & Community Management. Then, we'll manage the campaign and assure its optimization & success.

We are Baidu experienced

- High knowledges of Baidu
- A ROI-focused agency
- We are effective
- We have more than 300 cases studies

#### **WE ARE A ROI-FOCUSED AGENCY**

We will make sure that your e-commerce website will be profitable, we're a ROI-focused agency. The solution is to attract and also re-target the most qualified traffic in order to increase conversion rates.

#### **A FRENCH AND CHINESE TEAM**

We are french and chinese team, here to help you developing your business in China.

We understand the chinese consumers: their needs and habits

We also understand the foreign brands's difficulties when they tried to enter the chinese market.

Each members of the team are specialized in a field. They have experience and they are effective.

#### **IN BONUS**

We are a friendly team, we offer the coffee if you come to discuss about your project in China.

And trust me... our coffee is really good :)



We've already worked on a host of e-commerce projects and know how to efficiently promote your e-commerce business in China by engaging with the latest digital tools & cutting edge strategy.

If you're interested in being part of the Chinese market and want to reach your Chinese target, you need to adopt the most intelligent strategy.

Our dedicated team can offer an e-commerce plan for China's Online Marketplace that will be adapted to your products and target. Don't hesitate to contact us for more information.

For more information about E-commerce in China you can also have a look here.

## 4 OUR EXPERIENCE, OUR CASE STUDIES

### SELECTSPECS

Selectspecs is an e-Commerce website which sells Fashion Glasses. Lifelong glasses wearer David McMillan had the original idea to sell prescription glasses online back in 2004. Looking at the opportunities of the Chinese Market. The online optical chains believed the choice was too limited and grossly overpriced for the Chinese Market .

Website : <https://www.selectspecs.com/cn/>

The logo for selectspecs.com features the brand name in a bold, lowercase sans-serif font. A thin orange arc is positioned above the 'e' in 'selects'. The domain '.com' is in a smaller, lighter font.

### OUR MISSIONS

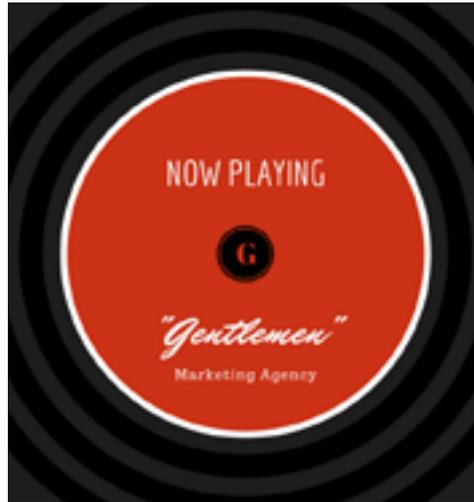
- SEO on Baidu, to develop the visibility of Selectspecs
- E-reputation; because in China it's one of the most important buying criteria. Chinese people will never buy your products if you haven't a strong reputation.
- Social Commerce on Weibo and Wechat
- KOL Engagement



### WHAT WERE THE RESULTS?

- +3600 visitors per months (0.5% conversion rate)
- + 3000 new followers on Weibo (with 30% purchase rate)
- +1800 new followers on WeChat (with 13% purchase rate)





# GET IN TOUCH

## YOUR GROWTH & PROSPERITY IN THE YEAR OF THE DOG!

This article is intended to keep brands up-to-date with key market trends & insights. It's made largely because I love writing & speaking about this topic.

Questions about the nature of the Market are a staple conversation I often have with brands in different capacities & stages of their China journey. These are insights based on mine & GMA's experience working extensively in E-Commerce over the years, evidently there are always different views but here's my ten cents..

Here's to your Growth & Prosperity in China in the Year of the Dog!

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