



# How to Conquer Cross-Border E-Commerce in China

*The ultimate guide for foreign businesses to promote their products, raise brand awareness and drive online sales in China*

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# Your Guide to Successful Cross-Border E-Commerce in China

## Introduction

Cross-border e-commerce (CBEC) is an exciting channel for foreign businesses looking to get a slice of the Chinese market. Through CBEC, you avoid the costs and headache of setting up your corporate presence in China.

But although it is one of the most efficient ways to get your products into the homes of this vast market, it still requires patience, and most importantly, an intimate understanding of the fears and fancies of over 60 million CBEC consumers.



Not convinced that CBEC in China can drive phenomenal business growth? Check out these statistics.

- CBEC in China is predicted to exceed USD 1.4 trillion in 2018, representing almost 30% of the total value of e-commerce transactions in China
- The cross-border retail import market predicted to surge to USD 96 billion in 2019, representing a year-on-year increase of 25% from 2018
- It is predicted that by 2018 there will be 74 million CBEC users, an increase of almost 30% from 2017



And this is just the beginning of China's mindboggling growth in the e-commerce space.

China's statistic of 772 million internet users is more than double the population of the United States, and yet this figure represents an internet penetration rate of just over 50% (user penetration for e-commerce was 72.3% in 2018 and is expected to hit 80.5% by 2022).

Not only is it home to more online shoppers than any other country, China is still at the dawn of its middle-class boom. Rising disposable income from more than 300 million middle-class consumers has enabled consumption upgrade, a trend where consumers are increasingly confident spending money on categories such as food, cosmetics, and clothing.

These factors have all helped contribute to a remarkable rise in e-commerce activity for both home and imported goods.



### 3 reasons why overseas businesses should invest in CBEC in China

1. It's a growing market with a surging demand for foreign goods available online. This demand is fueled by frustration about so many fakes on the market as well as high taxes on foreign products.
2. CBEC can test your products on the market without needing to first commit to the regulatory and licensing costs required when setting up a formal presence in China.
3. Preferential policies for expedited customs clearances, favourable tax rates and efficient grouping of logistics service, make CBEC more attractive.



Case Study: Yihaodian, China's largest online retailer of food and beverages, facilitates foreign sales by allowing foreign businesses to sell tax-free and to be exempt from China's domestic product standards through 'cross-border' e-commerce. Companies usually benefit from VAT, license/permit and Chinese label requirements.



## Consumption upgrade

Imported goods are increasingly sought after by Chinese consumers. In 2017, 67% of consumers had made a cross-border purchase online, almost double from 2015 (34%). Platform giants have responded enthusiastically to this growing need, with the fast-rising popularity of dedicated cross-border e-commerce platforms such as Kaola, Tmall Global or JD Global, or more niche platforms such as Xiaohongshu.

Those consumers who do consume foreign products through CBEC do so with gusto. Among those Chinese consumers purchasing international products, more than 65% making purchases at least once a month, and 11.6% making purchases more frequently than once a week.

Why the CBEC frenzy? Trend-savvy middle-class consumers are on the hunt for foreign items not yet available in the domestic market, while other demographics choose to import overseas products for their perceived higher value. CBEC sites also offer higher degrees of protection against counterfeit goods. In some categories, such as baby food products, the same product under the same label can be listed under an eye-watering price up to three times the price listed in its home market.



Key takeaway: Companies can leverage their international status to instill confidence in consumers and raise their brand status, for example by promoting international quality standards or foreign lifestyles (from European-sourced milk to Scandinavian minimalist furniture), all while potentially enjoying higher prices.



## The power of social selling

If you want to sell in China, you have to have a knack for social. In e-commerce, the convenience of online shopping and the engagement of social media platforms integrate seamlessly to produce a unique, multi-faceted environment ripe for converting customers. Social elements are built into online platforms: they have to be built into your social strategy too.

The rise of purchasing opportunities on China's homegrown messaging platforms has deep cultural significance, as relying on friends' recommendations for products and services is an organic extension of the idea of *guanxi* (which in simple terms can be summarised as the act of doing business with people you know). The proof is in the purchase:

71% of Chinese consumers admit to spending more when experiencing positive social interactions (compared to 44% globally) during the purchase cycle.

This trend is also compounded by the high concentration of mobile shopping. Social media apps are architected to accommodate as much of the consumer journey as possible, such as with shoppable ads and integrated payment solutions. It is predicted that mobile e-commerce purchases will make up almost 74% of total e-commerce in China by 2020 (compare this with 46% in the US). This growing figure has helped catapult the development of closed loop, feature-rich ecosystems. Smart marketing strategies from brands looking to successfully penetrate the Chinese market will take advantage of all the brand-consumer touchpoints that these platforms provide.



## Understanding your new audience: the Chinese consumer

Finally, China's iconic e-commerce festivals, such as Double 11 (otherwise known as Singles Day), are also an opportunity for international brands to capitalize on unprecedented movements of shopping frenzy. According to research, 79% of consumers intend to participate on Double 11: a shopping festival that saw JD and Alibaba enjoy a surge in growth of 50% and 39% last year, respectively. Around 30% of purchases are from international brands.



Key takeaways: Social selling is key to unleashing the full potential of the Chinese market, but only 26% of retailers have a formal plan in place for executing their digital strategy. Mastering a social e-commerce strategy is crucial to successfully breaking into – and surviving – in the Chinese market.

Don't underestimate the change it takes to adapt your current digital strategies to China. It's a whole different ball game where the stakes are higher, growth is higher, and the competition is well-versed in pleasing local consumers.

Chinese online consumers behave very differently to their Western counterparts. Their path to purchase is programmed to be different: shaped by integrated e-commerce platforms and channels that themselves reflect the inherently social culture in China. Shopping online here has an emphasis on exploration, where discovery and purchase are molded into one exciting customer journey!



## Example 1 – Purchasing directly on WeChat

Ying Yue, a young mother, sees a targeted ad about bulk discounts for organic products for mothers while browsing Weibo. She follows the brand on WeChat and shares the link to a WeChat group she has created with her friends. Her friends check the reviews before completing the purchase on WeChat Pay.

A couple of her friends use Ying Yue's referral code to follow the brand's WeChat account, which give them all extra loyalty points to redeem against future offers. Two weeks later, she participates in the same brand's mini-programme for parents and their children to learn English together through songs and games.

The brand is also hosting a singing contest, which she enters and encourages her friends to vote in. She is awarded points for her participation which she redeems against a special offer received via WeChat a few days later.

## Example 2 – Purchasing on e-commerce platforms

Zhenzuo Ye, a keen runner, sees an ad while browsing Taobao. He sees an interesting link to an article on healthier breakfasts that help maintain energy throughout the day. He clicks on the article, and browses a few links embedded in the article to recommended products. He finds a link to a fitness forum about building stamina for marathons.

He posts a question to the community to ask for advice on how to recover quickly after long runs. One community member responds with a suggestion for a foam roller that relieves muscles ache. Zhenzuo Ye clicks the link to the store and chats with the merchant to better understand which product would suit him.

As he is waiting for a reply, he receives a notification for a live-streaming video hosted by a fitness KOL he admires. He clicks to watch and uses the embedded purchase link to order the cool new trainers the KOL is wearing in the video. Meanwhile, the merchant replies with a product recommendation, that he adds to his basket, and checks out with a single click.



## What steps can you take to launch a successful cross-border e-commerce strategy?

- Adopt technology that helps you personalize brand-user experiences. Look beyond buying history and examine other data such as geo-localisation and recent interactions with your brand. This is invaluable for automating journeys based on user actions
- Leverage social commerce such as KOL tutorials, contests, or online events to create excitement around your brand and encourage social sharing
- Use data analytics to identify what types of content are most effective at generating conversions throughout the different stages of the consumer journey and on different channels
- Seamlessly combine discovery and purchase by using embedded purchase links

Because e-commerce platforms typically use data insights and artificial intelligence to personalize content and product recommendations, Chinese consumers are used to receiving highly tailored online experiences. The result is that brands must leverage a content-rich strategy, tailored to their target audiences' tastes, habits, and preferred buying methods, to help drive sales.

*Did you know? On Taobao, 320,000 items are added to shopping baskets for every 1 million views on live-streaming events.*



Key takeaways: E-commerce platforms and social media channels have a wide range of features that brands can take advantage of to engage and entertain consumers. Western companies should not underestimate the importance of building a discovery-driven, content-rich consumer journey.

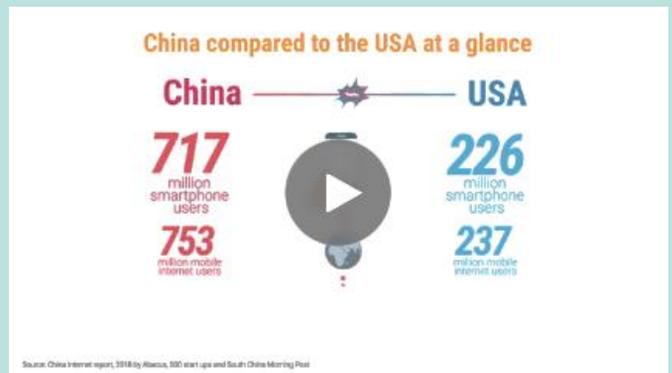


## A tailored marketing strategy is crucial to reach Chinese consumers

With such a crowded marketplace, how do you get noticed in a bustling digital economy?

International companies looking to launch a successful e-commerce strategy in China must understand the unique characteristics of the Chinese consumer market and how they affect online buying behaviour. The rewards can be high, but the stakes are high too. It's crucial that brands forge new online practices adapted to local consumer behaviour.

Data analytics should inform every marketing decision and drive strategy. Rigorous review of ROI in different channels will empower companies to leverage well-performing campaigns and adapt or cut those that are inefficient.



*Watch our video to learn about the shopping behaviours of Chinese consumers and how to apply this understanding to your marketing.*



# Here are the main points you should consider when marketing to online consumers in China:

## Mobile-centric strategies

According to research, 84% of consumers use their mobile to shop online, so a marketing strategy that leverages opportunities to reach consumers on their phone is paramount. But this alone is not enough. Brands shouldn't just be focusing on mobile, they should also be focusing on audience segmentation to understand how different consumers navigate online.

## Social commerce

Your brand's success in China will depend heavily on your social media strategy. As seen from the video above, China's social platforms, and the way its online consumers interact and consume information from these platforms, differ substantially to how Western businesses might understand Facebook, Pinterest, Twitter, and other platforms used by their customers. Almost 40% of online shoppers will make unplanned purchases or purchase more than intended after viewing information about a brand or product from its official WeChat account.

## Gamification

Gamification can be a successful approach to helping brands build a relationship with consumers, drive conversion, and encourage return visits from would-be customers.

Whether through company-owned apps or by using the possibilities within social media platforms (for example WeChat mini-games), it's also possible to execute effective loyalty programmes that use gamification to allow audiences to collect points and exchange them for coupons or value-adding experiences (such as unlocking exclusive content, receiving VIP treatment, etc.).



## In China, your data is more important than ever

Chinese consumers are accustomed to personalised treatment online. As more and more shoppers are exposed to marketing campaigns, brands will need to work harder and smarter to be heard above the noise.

*Brands must develop attribute-rich audience profiles to refine their marketing message*

With the rise of hyperconnected ecosystems, the power of conversation is in the hands of your consumers. They decide when, where and how to interact with your brand. In China's crowded marketplace, it's imperative that brands go beyond demographics to personalize their exchanges with consumers.

Developing profiles through smart data tools is a good start, but marketers need to ensure that they are doing more than just going through the motions. Segmentation is key to effectively communicating with your different audiences.

In addition, once brands retrieve insights from reviewing their data, they need to adopt processes that are agile enough to respond in real time to trends and make informed strategic decisions.



Top tip: Having a robust CRM system and marketing automation platform will enable companies to execute informed strategies using data, to optimize loyalty programmes, carry out targeted marketing and obtain powerful data insights from brand-user interactions.



## Multi-channel attribution modelling versus last-channel attribution modelling

Given the sophisticated path to purchase undertaken by Chinese online consumers, it would be misleading for brands to ignore influential touch points from earlier stages of the buyer cycle.

Multi-channel attribution modelling allows marketers to objectively analyze the effectiveness of their efforts across all channels, at all stages of the buyer journey. In doing so, they will be able to assess ROI of their different channels and optimize their approach.



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