



Exploring China online retail market

Introduction:

The technological advancement of the internet and the number of mobile phones across the world has resulted in a rising trend in online shopping. See forecasted sales figures for 2016 in table below.

Summary of Online Retailing sales for 2016	
Country	Online sales
China	RMB ¥1,463.3 bn [£ 1,56.97 bn] (1 st five months)
US	US\$399.48 bn [£246.39 bn] (Forecast)
Europe	£182.80 bn [€216.32 bn] (Forecast)
Canada	US \$22.96 bn [£14.16 bn] (Forecast)
	Sources: Centre for Retail Research (UK) National bureau of Statistics

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The China online retailing market is much larger than USA and Europe combined. It is natural for Hong Kong and overseas companies to consider venturing into this huge market, especially those new or diversifying into online shopping.

Understand Chinese consumers' preference:

Segment one: The super-rich consumers preferred luxurious brands (mainly foreign ones). They can afford to go to Europe, North America

and developed countries in Asia to do their shopping as well as having their holidays.

Segment two: The emerging affluent Young Executives and business owners preferred affordable products offered by Hong Kong and foreign brands.

Psychological and cultural factors: It is a combination of social status and “keeping up with the jones” of displaying ownership of foreign brands (崇洋心態). Those who cannot afford the real thing will resort to buying fake products (inferior complex).

Segment three: The affordable consumers’ class who will purchase products that they need and can afford. Hong Kong and foreign brands are competing with local brands.

In online shopping, there are no location and accessibility problems of 1st tier, 2nd tier and coastal cities. All products are accessible to online shoppers across China.

Chinese consumers are smart. They know where to shop for quality products.

How to venture into the Chinese online retailing market?

Selling products in China popular trading platforms such as TMall (invite only international and domestic brands), JD, Suning, Vipshop and Gome is the best approach because they have huge numbers of shoppers visiting their sites but the entry level (pay an entry fee) is a challenge for most SMEs and unknown brands.

Selling products via unknown and/or less popular trading platforms is the alternative but the sales volume is limited.

What are the regulations?

Products must be cleared by Customs and imported by licensed import company. There is also paying the Tax on products.

Note: Most trading platforms will handle these regulations for their clients.

Those thinking of using mail delivery or courier services to delivery products to Chinese consumers without meeting these regulations in the first place will have products confiscated and complication when applying for importation in the future.

Logistics in place:

Popular trading platforms have established their own logistics operations to handle large volume of transactions. The logistics operations of unknown trading platforms are a factor for consideration.

If companies are selling directly from their own online shops, they must have warehouse to store their imported products and arrange for logistics companies to courier their products to the clients.

Strategy for unknown brands and SMEs:

There are two options, one is to sell products via China trading platforms (preferably popular trading platforms if you could afford to do so) and another option is to get Chinese consumers to shop at HK or overseas online shops (the challenge is promoting the online shops to Chinese consumers).

The recommended strategy is applying both options.

Fake products:

This is a problematic area. Large luxury brands can afford resources to monitor and detect for any sites that are selling counterfeit of their brands and take actions to close these sites as well as possible legal actions.

Unfortunately for SMEs and unknown brands, they do not have the resources to tackle this problem. The best way is for SMEs and unknown brands band together to lobby the authority to take action.

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