



China – frontrunner in e-commerce

Sales potential on the world's largest online marketplace still far from being exhausted. Current market insights from Hermes.

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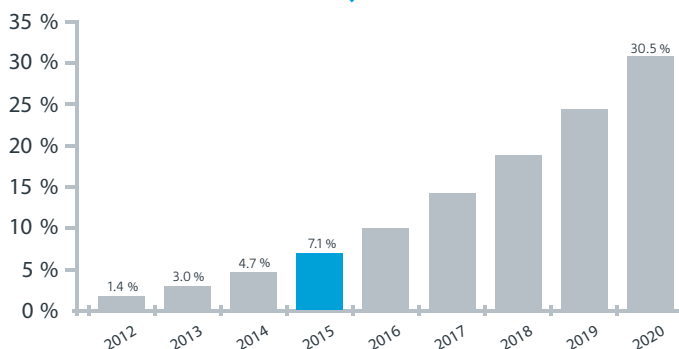
China has become the world's leading e-commerce market in recent years. And there is no end in sight to this rapid growth. In the world's most populous country, online retail is booming – a trend from which more and more European countries are benefiting.

Growth Rate



The future belongs to e-commerce – with more and more record reports on sales figures and revenue potential in online business, there can be no doubt about it. Retailing experts from Kantar Retail anticipate that the proportion of online business in consumer goods in China will grow up to 40 percent annually until 2020. The online market will then account for around 30 percent of total sales for consumer goods companies and will be one of the most important sales channels.

Proportion of sales attributable to e-commerce in the consumer good industry



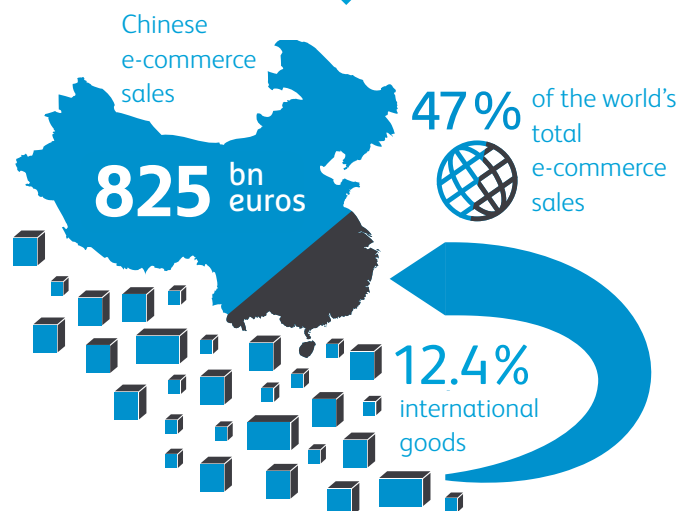
Source: Kantar Retail, China Digital Power Study 2015

Sales records thanks to online festivals

EA key factor in the speedy digitisation of consumer goods retailing is consumers' high levels of acceptance. Jack Ma, founder of China's online retail giant Alibaba is quoted as

saying: „In other countries, e-commerce is a shopping option; in China it is a philosophy of life.“ Online shopping festivals such as the ‚Middle Year Promotion‘ on 18 June or ‚Singles' Day‘ on 11 November prove him right. On these days, millions of Chinese people go bargain hunting on the internet, with online retailers offering significant discounts. On Singles' Day 2015, Alibaba achieved sales of 13.3 billion euros within 24 hours – more than all US online retailers together on both American bargain days ‚Cyber Monday‘ and ‚Black Friday‘. In 2016, Singles' Day chalked up a further record with topping 16.3 billion euros. Around 65 percent of all purchases were transacted on mobile devices, a fact that vouches for the intensive use of smartphones and tablets by online shoppers in China.

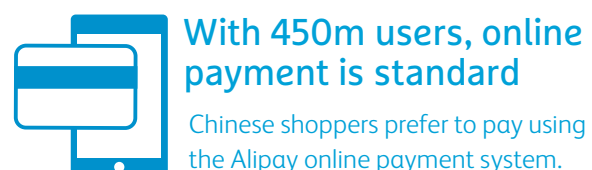
Sales



The two biggest marketplaces are Tmall and JD.com, both partners of Hermes.

Consumers often shop using their mobile apps. This is why e-commerce in China is strongly tied to m-commerce.

E-Commerce



We have compiled a brochure containing in-depth details on Singles' Day. The PDF is available for download from our website.

Smarter shopping: Chinese consumers want more

A country upbeat on consumption – despite the downturn in the economy? In 2016, GDP growth stood at just 6.7 percent. But experts think this economic slump in China will not dampen the boom in online retailing. A first sign: in the same period retail sales grew by 10.4 percent. A study on the e-commerce climate conducted by management consultants McKinsey reported that the current developments in the country are boosting the trend towards online shopping. And according to a Nielsen survey from the end of 2016, China’s consumers are looking to the future with optimism. Around 60 percent of them feel assured that their financial situation will remain stable. The vast majority of consumers see online shopping as the smarter way to shop: favourable prices, huge range of products and greater convenience are key arguments for e-shopping.

And experts agree that the tax regulations for imported goods in force since April 2016 are not going to curb people’s shopping appetites. Although the government has removed a number of tax incentives related to B2C internet retailing, customers still stand to save in future, especially on high-priced goods such as cosmetics – all to the benefit of international brand manufacturers and their offerings. Imported foodstuffs such as baby food have become more expensive will tax of 11.9 percent due on orders under RMB 2,000 (roughly 270 euros). Dr Klaus Beck, lawyer for international business law, holds that the security and quality of the products are well worth a higher price for Chinese customers.

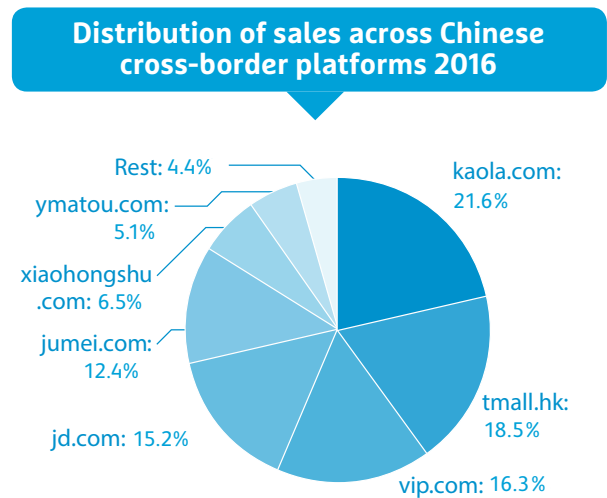


Source: China Internet Watch 2016, PayPal 2015, Accenture-AliResearch 2015

Cross-border online retail

B2C e-commerce in China is highly concentrated on digital marketplaces, department stores and flash stores.

The four largest platforms alone – Kaola (21.6 %) and VIP International (16.3 %) as well as the two marketplaces Tmall Global (18.5 %) and JD Worldwide (15.2 %) – cover over 70 percent of the market. Originally specialised on Chinese goods, the providers have opened cross-border platforms to meet the growing demand for international brand products. In this way, European companies can also sell their products to Chinese customers – without a Chinese retailing licence normally required for international suppliers.



Source: iiMedia Research 2016

International brands such as Adidas, Apple, Panasonic and Philips as well as general products in the health, cosmetics and lifestyle segments are highly popular with Chinese customers today. And the ongoing trend towards cross-border e-commerce is providing exciting sales potential for less well-known brands on the Chinese market.

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