

2020 GELF China Ecommerce Study: Executive Summary of Research Findings



Executive Summary (research conducted pre-COVID-19)

China ecommerce growth strategies underscore the embrace of multi-platform planning globally by retail brands (retailers and brands selling DTC)

- Global ecommerce is evolving from multichannel to multi-platform, leveraging the reach, selling and fulfillment capabilities of leading digital platforms
- Inside and outside of China, brands will use multiple platforms to reach the global shopper. Multi-platform strategies will create a complex environment for retail brand execs to manage and optimize

Executive Summary



Chinese ecommerce titans still dominate. Alibaba leverages Tmall + its growing platform ecosystem to gain share faster than JD.com

- Tmall continues to attract the bigger global brands as Alibaba's reach spreads around the world
- Other Alibaba business units offer mid-market and emerging retail brands inside and outside of China with domestic and cross-border growth opportunities
- Yet smaller brands typically face high customer acquisition costs to get noticed in China; resulting in some taking a "timeout" in China – at least for now



Executive Summary

Emerging Chinese ecommerce platforms are also driving the growth of multi-platform global ecommerce. Social commerce “blurs the lines”

- WeChat, including commerce-enabled mini programs, is the biggest growth opportunity as investment flows to mobile and social platforms
- Other emerging platforms messaging apps hold the potential to gain share as underserved middle market and niche brands “find their platform”
 - Fast-growing specialty platforms like TikTok and Red are gaining the attention of retail brands while Pinduoduo offers another attractive growth platform

Executive Summary



SUNRISE Consumer Survey Data: **Young, female shoppers in China** **are using more platforms to** **discover & purchase foreign brands**

- China's ecommerce market share story doesn't show the growing diversity of platforms' reach
- Shoppers in China purchase brands via WeChat, Kaola, Daigou and retail brands' own Chinese-based as well as via cross-border direct-to-consumer (DTC) ecommerce sites
- The good news is these foreign brand buyers are looking to buy more in the future



Executive Summary

Brands: “We’ve got to be there.” Yet responses – and timetables - vary

- China is still a long-term priority, but many short-term challenges – brand building, partner selection, cost-effective customer acquisition – create strong headwinds
- The need for an internal China ecommerce champion at the executive level reminds us of many previous digital retail strategies where strong leadership accelerated digital growth for leading brands
- Recent US/China trade friction impacted B2B and distribution partners the most
 - The “silver lining” included the rise of DTC ecommerce and accelerated diversification of global supply chains outside of China

Executive Summary

Brand-building remains a top challenge in China, especially for growing brands

Leaders blend omnichannel (digital + stores) best practices and multi-platform (ecommerce + social / influencer) innovation to connect with ever-evolving consumer tastes and preferences

- The art of brand-building is as important as the science of digital commerce technology
- Consumers in China want to differentiate themselves from other consumers in China
- This new trend offers growing, less-well known brands opportunities to connect with Chinese consumers

Executive Summary

DTC ecommerce within China remains nascent; viewed by some brands as a hedge against dominant marketplaces like Tmall and JD

- By and large we heard, “China’s marketplaces will continue to dominate”
- But experienced online sellers hedge China bets by “keeping their DTC lights on”
- Some see the “richer” DTC site shopping experience collapsing into China ecommerce marketplace platforms

Executive Summary

Consumers in China continue to purchase cross-border. Many prioritize authentic products from trusted global brands as well as unique merchandise from niche brands that “let’s them stand out from the crowd”

- Growing cross-border demand for unique goods from emerging brands highlights a growing desire by shoppers in China to showcase their own individuality
- Global ecommerce leaders should closely watch the broadening of consumer tastes beyond mass luxury
- Still, the love of buying luxury products, which has framed the purchasing behaviors of Chinese consumers (at home and while traveling) for decades, shows no signs of slowing

A photograph of a busy outdoor market in China. In the foreground, a woman in a floral patterned shirt and green pants stands next to a bicycle with a basket. She is interacting with a woman in a white t-shirt who is handing her a white plastic bag. In the background, other people are visible, including a man in a black shirt and a woman in a green top. There are various market items like crates of produce and a white scooter. The scene is set in a narrow alleyway with buildings and plants in the background.

Executive Summary

Investment in regional distribution and hybrid fulfillment strategies in China grows

Last mile delivery offers opportunities & challenges

- Smart fulfillment is accelerating as brands embrace sustainability practices
- Drop shipping solutions from China are getting better, faster and cheaper
- Tracking and transparency improve the “white glove” delivery experience. But more innovation and progress is needed to integrate final-mile delivery systems

Executive Summary

Demand is growing for near-shore fulfillment models such as those from the “new” Tmall Global. More leading brands “are growing into” Tmall China (and other platforms)

- Brands are embracing hybrid models that forward-deploy “hero products” in China while fulfilling long-tail cross-border orders from US-based assortments
- Challenges remain with hybrid models
 - Local vs cross-border delivery times vary significantly
 - Managing cross-border DTC returns “not always so easy”
 - Tmall Global and Tmall China still compete (with each other) although Alibaba is working on making the transition from Tmall Global to Tmall China more seamless

Executive Summary

China is hard. There is no silver bullet for ecommerce success in China

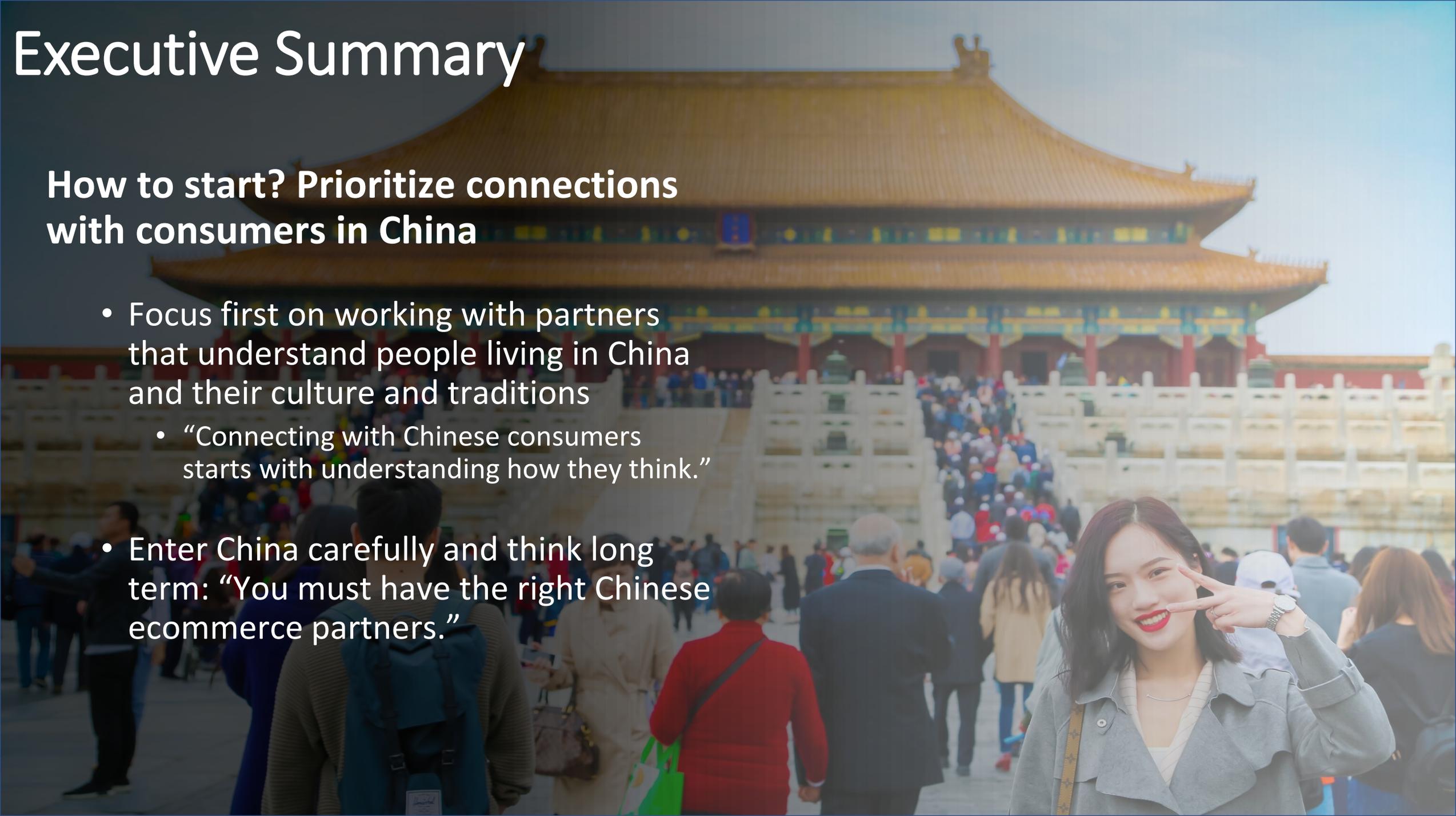
- Everyone takes a different approach; there's no right or wrong approach
- What you think will work often won't work in China
- You must have boots on the ground
- You cannot use the same cookie cutter infrastructure that some retail brands use in other markets. The standards and requirements are totally different



Executive Summary

How to start? Prioritize connections with consumers in China

- Focus first on working with partners that understand people living in China and their culture and traditions
 - “Connecting with Chinese consumers starts with understanding how they think.”
- Enter China carefully and think long term: “You must have the right Chinese ecommerce partners.”



Executive Summary

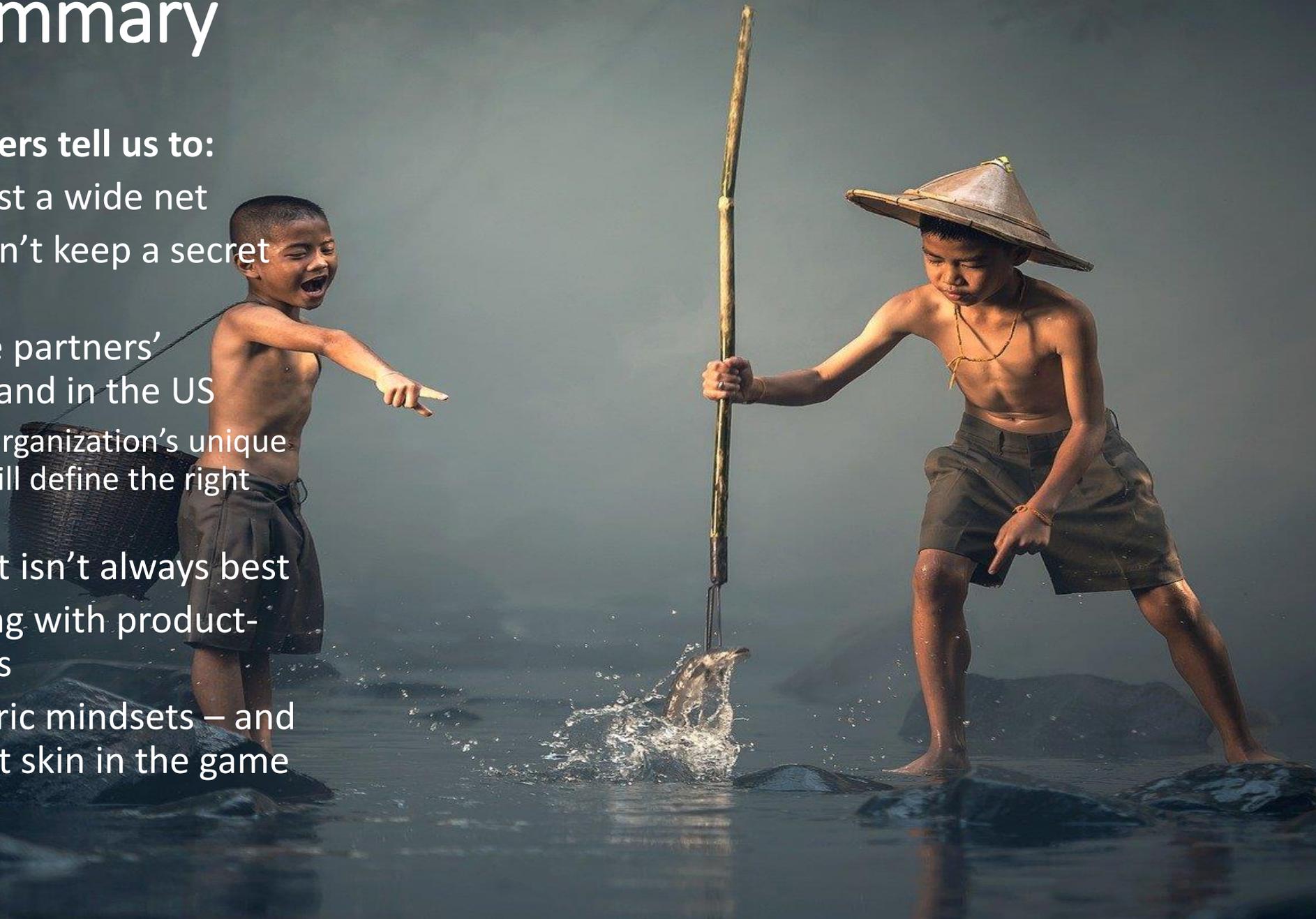
Nor is there a template for finding the right ecommerce trade partner for China – regardless of whether you are selling via marketplaces, messaging or social platforms or DTC cross-border ecommerce



Executive Summary

Global Ecommerce Leaders tell us to:

- Take your time. Cast a wide net
- Accept that you can't keep a secret in China
- Balance your trade partners' presence in China and in the US
 - Your company/ organization's unique characteristics will define the right balance for you
- Accept that biggest isn't always best
- Prioritize partnering with product-category specialists
- Look for data-centric mindsets – and a willingness to put skin in the game



Executive Summary



Now is the time to plan and invest in ecommerce strategies. China remains the headwaters of retail innovation

- **It is still early, but time moves quickly in China:**
 - The Chinese consumer market is still emerging
 - “China-time” means the future can be here in a year, so retail leaders need to be ready
- **Success requires digital transformation:**
 - “China today is like thinking back to 1999 when people were looking at getting into ecommerce. You must be ready to invest and transform your business.”
 - “We must mature. Short-term we need to do more of same, but we need to do it better.”

Executive Summary

A scenic view of a mountain peak with a large, gnarled pine tree in the foreground and a clear blue sky in the background. The tree is the central focus, with its branches spreading out across the frame. The background shows a hazy mountain range under a bright sky.

What we see working in China is what leaders envision working in other global markets

With exceptions, of course

- Working together is a must for both policymakers and platform providers
 - “The future isn’t murky; US and China’s economies are too intertwined”
 - “Much like the economies – the leading platforms inside and outside of China will intermix.”



Executive Summary

China is framing the future of retail

- China is a huge market force and offers a framework for the future of ecommerce
 - “Eventually we have to get back in.”
 - Retail leaders that have taken a recent timeout tell us that they know they must remain focused on China and prepare to re-enter
 - “We are betting on a future [where] there will be more growth selling into China. Short-term we’re targeting Tier 1 and Tier 2 cities.”
- But China is and will always be unique. Not everything that works in China translates everywhere else

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