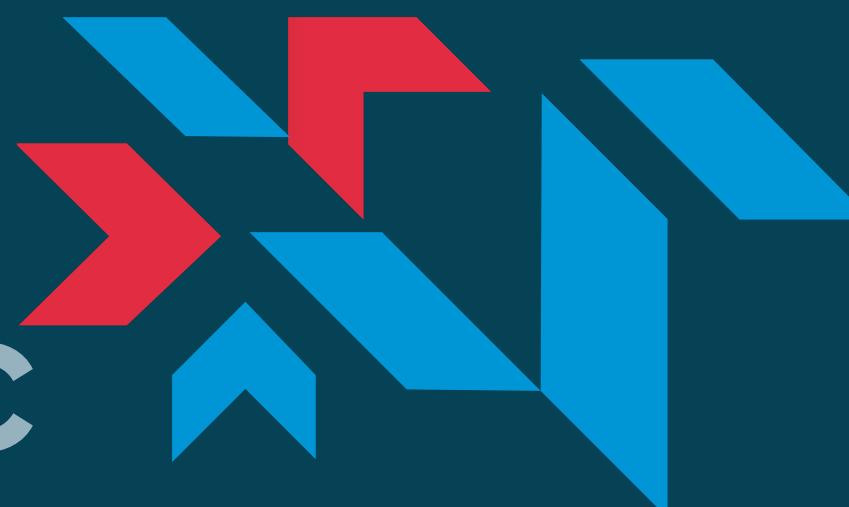


AN INTRODUCTION TO E-commerce in China

The Canadian Trade Commissioner Service
Everywhere you do business



TCS/SDC

AN INTRODUCTION TO

E-commerce in China

TCS / SDC



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The Trade Commissioner Service

CHINA NETWORK



★ **Embassy of Canada in China: Beijing**

○ **Consulate Generals:** Shanghai, Guangzhou, Chongqing, Hong Kong

How the Trade Commissioner Service Can Help

With a presence in more than 160 cities worldwide, the Canadian Trade Commissioner Service (TCS) promotes Canadian economic interests in global markets and can help your company navigate the complexities of international expansion. Our knowledge comes from helping thousands of companies each year tackle concrete problems and pursue opportunities in foreign markets. We have privileged access to foreign governments, key business leaders and decision-makers because we are part of Canada's embassies and consulates. Our business contacts include potential-customers, distributors, sources of finance or investment, technology partners and other intermediaries.

Within China, our network of Trade Commissioners can provide you with expert advice - whether you are exporting, investing, partnering in market or considering the market. We can help you:

- ✓ Assess market potential for your company
- ✓ Prepare for your entrance to international markets
- ✓ Help solve problems
- ✓ Provide qualified contacts

China Network E-commerce Team

The Trade Commissioner Service has a dedicated team in China focusing on e-commerce.

Led by our Consulate General in Shanghai, the e-commerce team is dedicated to keeping up with the latest policies, trends and developments of China's fast moving e-commerce landscape, to help you stay ahead of the curve. As the project lead to develop this China e-commerce guidebook, the Consulate General of Canada in Shanghai would like to thank Agriculture and Agri-Food Canada as well as Trade Commissioners at the Embassy in Beijing, the Consulates in Guangzhou and Chongqing for their contributions to both the 2016 and 2017 editions.

If you have any specific e-commerce related inquiries or need more information about e-commerce in China, please:

- Visit the China e-commerce portal (https://www.tradecommissioner.gc.ca/world-monde/china_e-commerce_guide-cybercommerce_chine.aspx?lang=eng)
- Contact us at: shngi-ecommerce@international.gc.ca

For Canadian SMEs interested in doing business in China, the TCS encourages you to visit the Canadian SME Gateway, which provides content on:

- ✓ Interviews with market experts
- ✓ Webinars
- ✓ Online resources and articles



@CanadaChina



Canadian SME Gateway to China YouTube Channel



Doing Business in China LinkedIn Group



Canada's International Trade-Global Affairs Canada Facebook page

@CanadaChine

Chaîne YouTube du Portail des PME canadiennes en Chine

Compte LinkedIn Faire des affaires en Chine

Page Facebook :Le commerce international du Canada-Affaires mondiales Canada

Canadian companies seeking for export support are also encouraged to look at CanExport program. Delivered by the Trade Commissioner Service (TCS) of Global Affairs Canada, in partnership with the National Research Council Industrial Research Assistance Program (NRC-IRAP), CanExport is one of the building blocks of the government's export strategy.

The mandate of the CanExport SMEs program is to support the export efforts of Canadian companies who are the primary producers of goods and services and/or key players in the exportation of Canadian goods and services, into new international markets. The program funds projects that have the potential to contribute significantly to Canada's economic growth by providing up to \$50,000 to SMEs registered in Canada for international business development activities.

CanExport SMEs is a competitive program with limited funding. Applications are processed on a first-come, first-served basis. Once funds are fully allocated, the program no longer accepts applications for funding. CanExport is open to almost all industry sectors. As of August 22, 2019, the program was also expanded to include supporting companies from Canada's agriculture, agri-food and agri-products industry, including fish and seafood.

For more details on the program, please visit <http://www.international.gc.ca/canexport>

E-commerce in Hong Kong

For those interested in exploring cross-border e-commerce opportunities via Hong Kong or are interested in selling products in Hong Kong through e-commerce, please contact the Trade Commissioner Service at the Consulate General of Canada in Hong Kong and Macao at the following address: canadatrade.hkong@international.gc.ca

The TCS strongly recommends that readers obtain independent legal, financial and related forms of professional advice prior to acting upon information in this report. The TCS assumes no responsibility for any company, product or service mentioned in this report, nor for any act or omission of any business connected with such products and services.

Introduction

The growth of e-commerce in China over the last decade has shaped global trade dynamics, with foreign brands vying for success in the world's largest e-commerce market.

China, which accounted for just 1% of the global e-commerce market in the early 2000s, now dominates with a share of almost 50% in 2024. The market's scale is staggering, handling more transactions annually than Japan, France, the United Kingdom, and the United States combined. This growth has been fueled by a combination of digital innovation, policy support, and increasing consumer sophistication.

For Canadian brands, China continues to present unparalleled opportunities, bolstered by its openness to foreign goods. This shift over the past decade has been driven by significant factors such as rising middle-class income levels, the popularity of cross-border e-commerce platforms such as Tmall Global and JD Worldwide, and heightened exposure to foreign products through outbound tourism and digital connectivity.

China remains at the forefront of e-commerce innovation. The integration of technologies like artificial intelligence (AI) in retail, livestreaming e-commerce, and social commerce exemplifies the industry's forward-thinking approach.

A key driver of China's e-commerce boom has been the enthusiastic adoption of digital innovations by the massive consumer base in China. The government's supportive policies, including significant investments in logistics networks and tax incentives for cross-border trade, have cemented the country's leadership in global e-commerce.

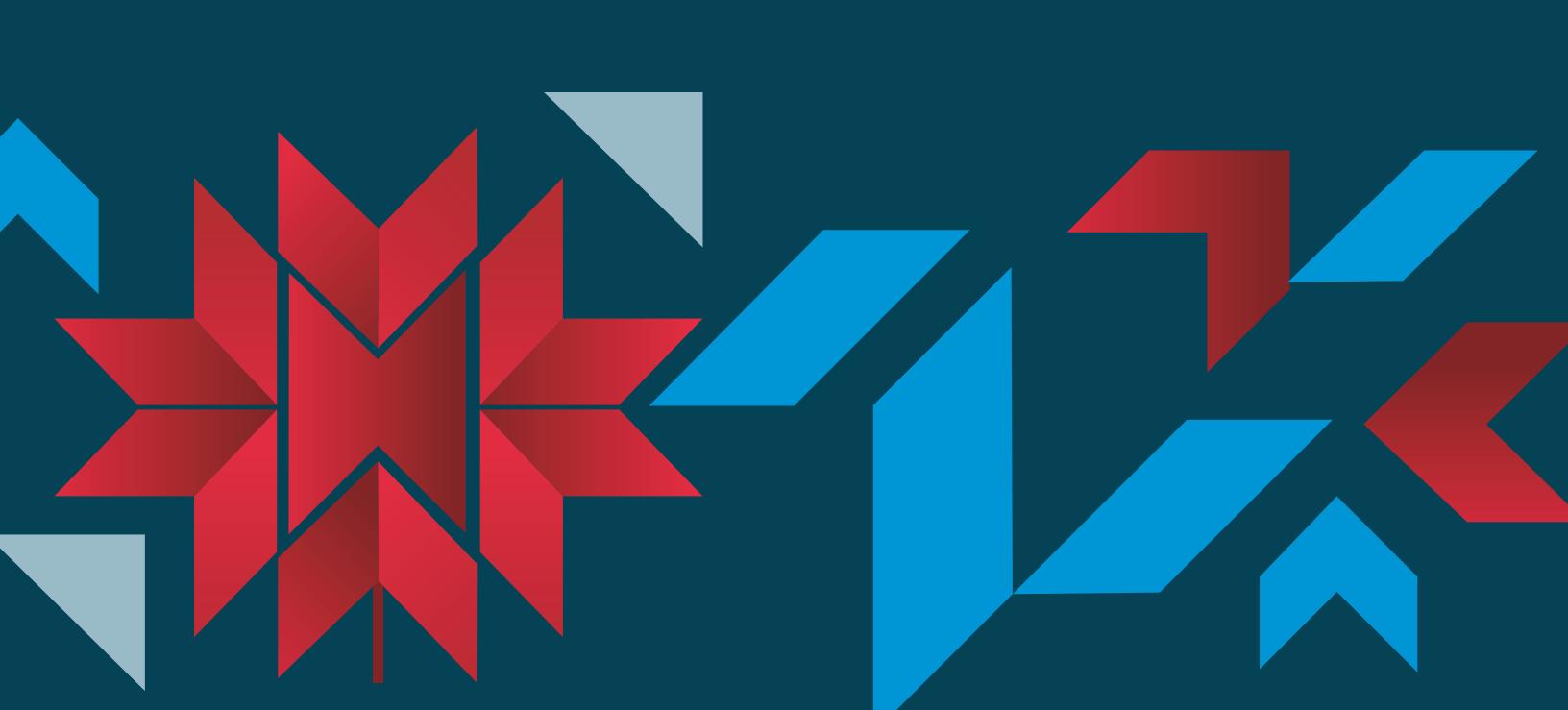
However, the vast opportunities are matched by considerable challenges for Canadian brands. The regulatory landscape remains complex, with evolving policies and stringent compliance requirements. Additionally, with e-commerce becoming a mature market in China, the environment is highly competitive, with thousands of foreign brands vying for consumer attention on platforms such as Tmall, JD, Pinduoduo, and Douyin.

To succeed, Canadian brands must prioritize intellectual property (IP) protection, adapt to the distinct preferences of Chinese consumers, and develop sophisticated market-entry strategies. Products need to be tailored to meet localized tastes and marketing strategies should leverage popular social channels such as WeChat, RedNote, and livestreaming platforms. Moreover, sustained investment in marketing, human resources, and supply chain management is critical for achieving long-term success.

This guidebook is designed to guide Canadian businesses through an overview of the e-commerce market in China, helping brands with the decision-making process for entering the Chinese market.

For further assistance, the Canadian Trade Commissioner Service (TCS) provides a network of resources in China. Interested Canadian companies can learn more about the services provided by TCS by visiting: www.tradecommissioner.gc.ca, or contacting the TCS directly at shngi-ecommerce@international.gc.ca.





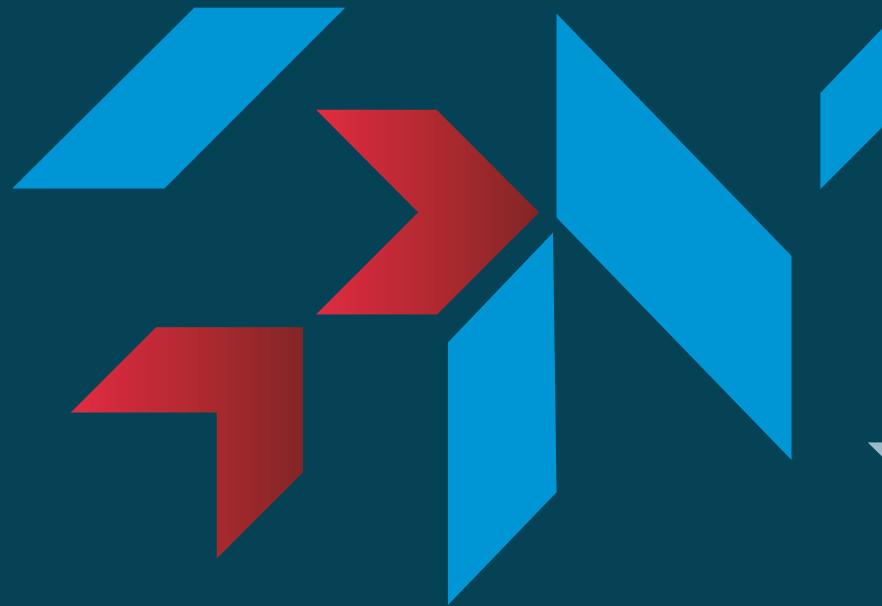
The Chinese Consumer

Demographics & Consumer Profiles

The Chinese Consumer Journey

Consumer Behaviour

E-commerce Trends



Demographics & Consumer Profiles

Unveiling China's Generation Z: Shaping the Future of Consumption

China's demographic landscape is witnessing a seismic shift with the rise of Generation Z, a cohort born after 1995 that is redefining consumer behavior and cultural norms. As China's middle-class burgeons and consumption patterns evolve, the influence of Generation Z as digital natives and cultural trendsetters cannot be overstated.

Generation Z makes up a significant and rapidly growing segment of China's population, comprising approximately 17% of the total populace and contributing over 4 trillion RMB annually to consumption. With over 240 million individuals, this age group is poised to shape the future of consumption and drive economic growth in the coming years.

As the offspring of the one-child policy, many members of this generation grew up as only children, exhibiting strong affinity for individualism, self-expression, and digital connectivity.

Having matured alongside smartphones and other digital innovations, Generation Z can be considered digital natives. They are the generation which has grown up with unparalleled access to information, fostering a diverse array of values, beliefs, and preferences.

The socio-economic landscape of Generation Z in China is shaped by factors such as urbanization, education, and employment opportunities. With over 70% of China's middle-class and affluent consumer population expected to reside in third-tier cities or above by 2030, Generation Z in these regions represents a significant driver of consumption growth. Moreover, as beneficiaries of China's economic prosperity, many members of Generation Z have access to disposable income and are eager to spend on products and experiences that resonate with their values and interests.

Having grown up alongside smartphones and social media, Generation Z consumers are experienced with sharing their opinions and connecting with peers online. This has given rise to trends such as influencer marketing, social commerce, and experiential retail.

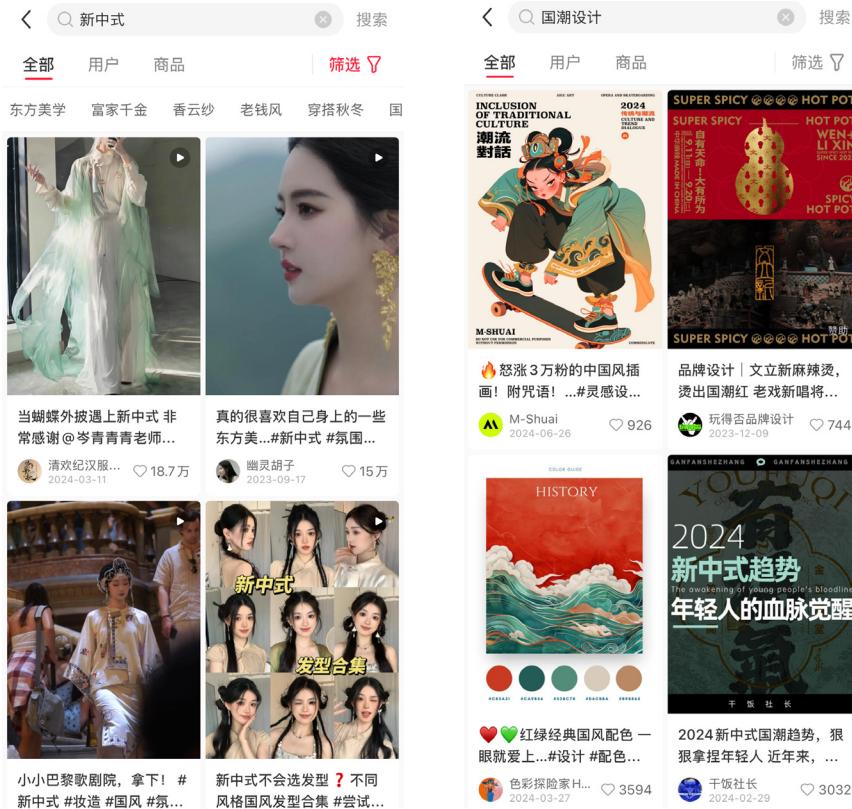


Cultural Identity and "China Chic" Movement

Generation Z in China represents a fusion of global influences and national pride, epitomized by the "China Chic" trend. While exposed to Western culture from an early age, these consumers harbor a deep-seated appreciation for their Chinese heritage and are leading the "China Chic" movement. The term is used to describe the desire from Chinese consumers to showcase China's potential as a global innovator, seeking to celebrate and promote Chinese culture, traditions, and homegrown brands.

Future Outlook

As China continues its transition towards a consumption-driven economy, the influence of Generation Z is expected to intensify. With their combination of digital fluency, cultural pride, and consumer power, members of this cohort are poised to drive innovation, shape market trends, and redefine the future of Chinese society and culture through a blend of tradition and modernity.



Screen captures from RedNote on top search results for "New Chinese Style" (新中式) and "Guochao Design" (国潮设计).

Life Among Electronics

With smartphones already a ubiquitous item in China, many Chinese consumers, especially among the Generation Z population, are taking the next steps of further integrating electronics into their daily lives, whether it is through wearables such as smartwatches, or smart home devices.



Top content on RedNote related to smart home devices or smart furniture.

Navigating the Silver Tide: Understanding China's Silver Generation

Demographic Overview

The Silver Generation in China, which is the term used to describe the population above the age of 60, represents a significant and rapidly growing segment. This demographic makes up about 18% of China's total population and is estimated to increase to over 300 million individuals by 2030.

The socio-economic status and lifestyle of the Silver Generation in China have evolved significantly over time, particularly in response to urbanization and economic development. While urban areas offer access to better healthcare, amenities, and social services, rural communities often face greater challenges in meeting the needs of aging populations. Despite these differences, the Silver Generation is also becoming a driving force in consumer spending, seeking out products tailored to their needs and preferences.

Contrary to stereotypes, the Silver Generation in China is not technologically averse or technologically challenged. Many elderly individuals have embraced technology as a means of staying connected with loved ones, accessing information, and engaging in e-commerce.

Despite the predominantly youthful presence on RedNote, users above 44 years old make up over 8% of the total users on the platform in 2024. Moreover, those above 40 years old account for 9% of users on Douyin.

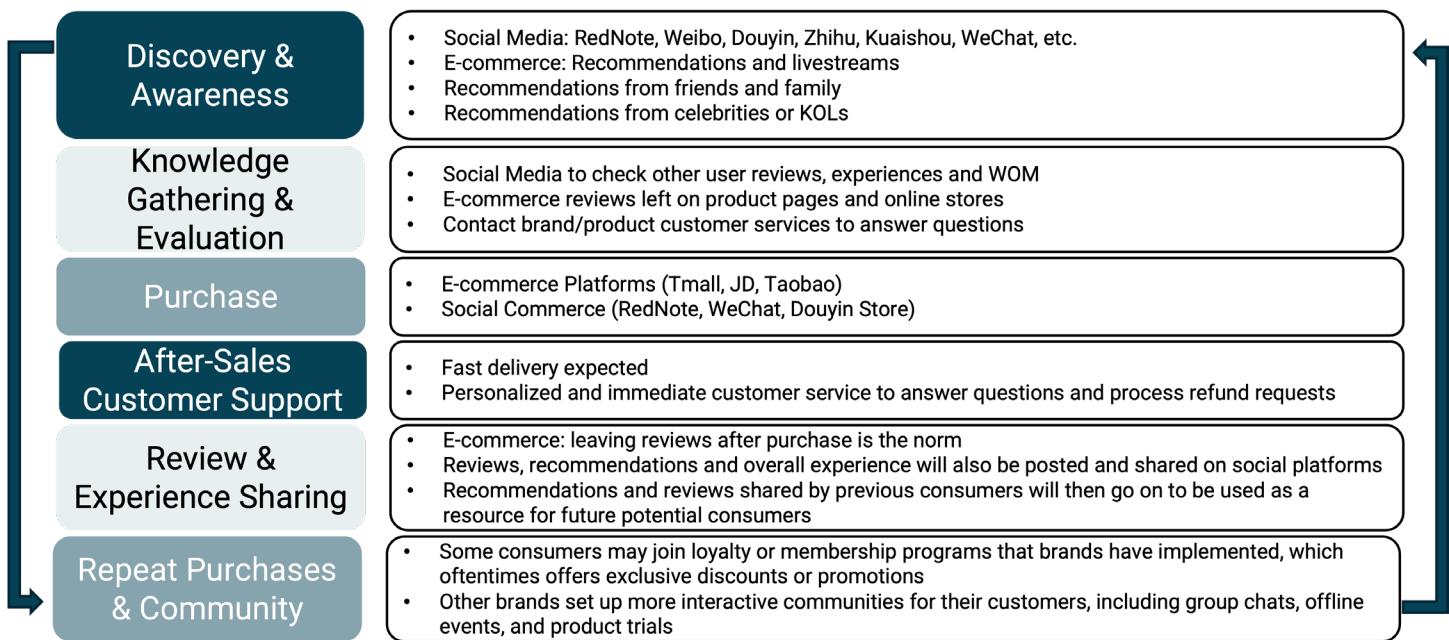
Central to the lives of the Silver Generation in China are deeply ingrained cultural norms and family dynamics. Filial piety and intergenerational solidarity form the bedrock of Chinese society, shaping the relationships between elderly parents and their adult children. While migration and urbanization have led to changes in family structures and living arrangements, the bond between generations remains strong, with many families prioritizing the care and well-being of their elders.

Amidst rapid societal changes, the Silver Generation consumer market in China is witnessing the emergence of innovative products and services catering to the unique needs and preferences of elderly consumers. From smart home and health monitoring devices to senior-friendly travel packages, businesses are increasingly recognizing the untapped potential of this demographic segment. Moreover, initiatives aimed at promoting active aging and intergenerational engagement are gaining popularity, fostering a sense of inclusivity and empowerment among the Silver Generation.



The Chinese Consumer Journey

The shopping journey of consumers in China has several interlapping stages that form a cycle rather than a distinct one-way path, wherein the purchase itself is in the middle. Depending on the purchase channel and product category, how long the consumer stays within each stage before moving onto the next can vary significantly.



Source: RedFern Digital Analysis

◆ Stage 1: Discovery & Awareness

For Chinese consumers, initial discovery of new brands can come through different channels, such as social media, advertisements, word of mouth, livestreaming, etc. Recommendations from Key Opinion Leaders (KOLs) or influencers on social media are also key methods of promoting brand discovery. At this stage, the Chinese consumers are not yet familiar with the brand and may choose not to engage until they encounter the brand name several times.



◆ Stage 2: Knowledge Gathering & Evaluation

Once the consumer's interest has been engaged, the next stage before purchase is for the consumer to evaluate and compare the product and brand against competitors, which involves looking for more information related to product details, reviews, and pricing. In comparison to the Canadian landscape, instead of searching for the brand on a search engine or going to the brand website, Chinese consumers will turn to social media. Consumers will go to platforms such as WeChat, Weibo, RedNote, Douyin, and Kuaishou to look for brand and product information, either on the brand's official account or through product reviews shared by other consumers or KOLs. In addition, consumers will also look at product reviews and ratings on the e-commerce platform and may directly engage with customer services to ask specific questions about the product.

Before purchasing, Chinese consumers often require a considerable amount of brand and product information. This information includes product origins, ingredients, materials, brand certifications, product features, brand history, and company missions, amongst other factors. To meet these needs, product specification pages on Chinese e-commerce platforms need to provide comprehensive content across various forms, including images, videos, FAQs, detailed category descriptions, etc.



The Livestreaming Factor

Over the past several years, the popularity of e-commerce livestreaming has surged in China, bringing about a shortcut in the consumer journey. Instead of spending time researching products themselves, many consumers will choose to instead watch livestreams, wherein the host provides the product details and directly answers the consumer's questions. This new form of e-commerce encourages immediate or impulsive purchasing.

Banner promoting a livestream on March 20th hosted by Austin Li (Li Jiaqi), one of the most popular livestreamers in China.

◆ Stage 3: Purchase

When it comes to purchases, many Chinese consumers prefer to purchase from verified brand flagship stores, as product authenticity can be guaranteed. Unlike in other markets, brand flagship stores in China are almost always hosted on e-commerce platforms such as T-mall or JD, rather than being standalone websites operated by the brands. Therefore, brands can rely not just on their own trustworthiness, but also on the platform's reputation for holding high standards in relation to product quality and authenticity.

The integration of the initial three stages of the consumer shopping journey with social media has been a notable trend over the past decade. Various social platforms have incorporated e-commerce functionalities, leading to the term 'social commerce'. These integrated features allow consumers to discover, research, and make purchases within the same platform, streamlining the shopping experience and blurring the lines between social interaction, online community, and commerce.

◆ Stage 4: After-sales Consumer Support

The consumer journey does not end at purchase. Following the transaction, many Chinese consumers will continue to engage with the brand by seeking after-sales services. High standards for customer support means that consumers will expect instant responses to inquiries, which may range from questions about the delivery process and refund requests, to additional questions about product functions and usage instructions.

◆ Stage 5: Review & Experience Sharing

After having purchased and received the product, many Chinese consumers will then head back to the e-commerce platform or to social media platforms to share about their product experiences. These reviews are not limited to discussions about the product, but also the purchasing experience, customer service responses, and the delivery process. The recommendations and reviews shared by previous consumers will then become a resource for future potential consumers, restarting the consumer journey cycle.

◆ Stage 6: Repeat Purchases & Community

As an additional stage in the consumer journey, some customers may choose to join the loyalty or membership programs that many brands have implemented. These programs offer members-only discounts or allow consumers to accumulate points with each purchase that can then be exchanged for gifts. Some brands may also set up more interactive communities for their customers, including group chats, offline events, and product trials.

With the extensive digitization that China has undergone over the past decade, the consumer journey is heavily based online, especially compared to Canadian consumers. Additional interaction with the brand is required by the consumer at each stage, both before and after the purchase takes place. To find success in the Chinese market, brands need to build up their presence and touchpoints across online platforms as much as possible to increase engagement with potential customers, whether it's through brand official accounts, working with KOLs, or running ad campaigns.

Consumer Behaviour

Embracing Wellness: The Surging Interest in Health and Wellness in China in 2024

Since COVID-19, health and wellness has become a significant trend and purchase driver in China, both as it relates to lifestyle choices and product preferences. From dietary and daily habits to preventative measures, Chinese consumers are prioritizing holistic well-being that considers both physical and mental health.

The pursuit of fitness and active living has become a cultural phenomenon in China. By the end of 2022, the population actively engaged in fitness activities exceeded 374 million individuals, spending more than 931 billion RMB on the category. According to the fitness app, KEEP, 17% of fitness enthusiasts in 2023 were heading outdoors for their activities, with outdoor cycling seeing a particular surge in popularity. This contrasts with previous years, where gym membership and indoor fitness classes were more popular. Although gym memberships remain high, at 69.8 million members as of December 2023, this is a decline of 2.4% compared to 2022.

Chinese consumers are also becoming increasingly mindful of their dietary habits. Plant-based diets, once considered niche, have gained mainstream acceptance, fueled by concerns over environmental sustainability and animal welfare. Companies like Beyond Meat and Oatly have made significant inroads into the Chinese market, respectively providing meat alternatives and milk alternatives. Additionally, superfoods such as quinoa, chia seeds, and kale have gained popularity. Oftentimes, healthy eating is combined with fitness related topics on social media.

When it comes to consuming health products, consumers, especially among Generation Z, are looking for innovative and novel experiences, such as vitamin gummies and green smoothies. With that said, the more traditional supplements in the form of tablets or capsules are still seeing growth.

Moreover, in the food and drink category, the past two years has seen a rise in low fat, low sugar, and low calories products, ranging from chips and other snacks to yogurts and beverages.



Environmental Sustainability

The past several years have also seen a growing awareness and regard for environmental sustainability among Chinese consumers, which has influenced their purchasing decisions across various product categories. Eco-friendly alternatives, such as bamboo toothbrushes, reusable water bottles, and biodegradable packaging, have gained traction as consumers seek to minimize their environmental footprint.

Encouraged by government policies, e-commerce giants such as Alibaba and JD have also begun to emphasize sustainability through the announcements of implemented packaging waste reduction methods, especially during the major shopping festivals in the country. However, sustainability is still not as large of a purchase decision maker among Chinese consumers as compared to Canada, and can be instead viewed as an added value.

Key Behavioral Trends: “Steady Progress” and “Exploring the New”

In 2024, Chinese consumers focused on the following two key behavioral trends: “Steady Progress” and “Exploring the New”.

“Steady Progress” represents the desire to be in control over the consumption pace and to become more rational consumers. Consumers want to maintain a clear understanding of their needs and consumption patterns to avoid indulging in products that are unnecessary or will not see longer term usage. As a result, consumers are showing a renewed interest in low pricing combined with high value.

“Exploring the New” is a sentiment that reflects the desire for Chinese consumers to continually seek out new experiences, both from brands and in their daily lives, balancing the outward exploration with an inward reflection on the emotional value provided by brands.

Regardless of how the consumption patterns shift, consumers' aspiration and pursuit of a better life remains unchanged. The demand for a more specialized and personalized product market means that brands should innovate with precision, developing new products as a direct response to evolving consumer needs.



E-commerce Trends

Social Commerce

Social commerce remains at the forefront of digitization in China, through combining social media and online shopping, it has reshaped consumer behavior and continues to develop through new forms. The term can be broadly used to describe the leveraging of social media platforms for online shopping and includes the implementation of purchasing features directly on social media platforms, leading to the transformation of these platforms into e-commerce hubs. This is unlike more traditional e-commerce in Canada, which rely on website stores, mobile apps, or specific e-commerce apps such as Amazon.

Livestreaming

One of the defining trends in China's social commerce landscape over the past two years is the rise of livestream shopping or e-commerce livestreams. Platforms such as Taobao Live and Douyin have become virtual shopping hubs, where influencers and merchants showcase products in real-time, engaging with audiences and driving sales through interactive broadcasts. The livestreams offer the opportunity for consumers to directly ask questions and see the product in real-time, promoting trustworthiness and engagement.

New Retail

“New Retail” is a term that Jack Ma, the founder of Alibaba, first used in 2016 to describe the close integration of online and offline sales channels. Examples of New Retail when it first came about included gamification or further integration of technology in offline locations, such as the offering of virtual try-ons for clothing and make-up. However, as the market as matured, two of the remaining successful examples of New Retail include Alibaba’s Hema (Freshhippo) supermarkets and instant retail.

Alibaba’s Hema supermarkets are known for their close integration with the smartphone app. Aside from just making purchases at the offline store, consumers can also purchase on the app and receive door-stop delivery or choose fresh products to be directly prepared for in-store consumption. Payments during check-out must be made either through the Hema app, or through facial recognition linked to the Hema app. This allows the platform to collect data on purchasing habits and specific preferred products from the customers.

Instant Retail, also known as On-Demand Delivery Retail, is a subset of the new retail landscape, allowing for the swift delivery of goods within 30 minutes of order placement. Leading apps in this sector include Meituan and Eleme, which both began as delivery apps for ordering takeout from restaurants. They have since expanded to instant delivery of a wide variety of products from nearby offline stores, including pharmaceuticals, clothing, groceries, snacks, and more.



Festivals and Online Promotions

As the world's largest e-commerce market, China naturally hosts some of the world's largest online shopping festivals. The two major nationwide events are Double 11 (Singles' Day) and 6.18 (Mid-Year Shopping Festival). Both began as one-day celebrations organized by leading e-commerce platforms, offering discounts and promotions across a wide range of products. Over time, these festivals have evolved into multi-week events incorporating livestreams with appearances from influencers, CEOs, celebrities, and more.

In 2023, the festivals were focused on price competition and maximising value for the consumer, while in 2024, in line with broader economic trends, the focus shifted to market recovery and consumption stimulation.

Platforms have also moved away from large-scale entertainment galas to prioritize direct consumer engagement. Alibaba, for example, no longer holds its iconic Double 11 gala, instead investing efforts in subsidies and bundle deals to support and merchants and consumers.

Sustainability has become a focus for platforms, driven primarily by government initiatives. Government trade-in subsidies incentivized purchases of energy-efficient appliances, boosting sales of home appliances and digital products while promoting sustainable consumer behavior.

While platforms like JD.com and Alibaba no longer release gross merchandise value (GMV) figures, third-party firms such as Syntun have filled this void. It has been estimated the Double 11 GMV in 2024 was 1,441.8 billion RMB, a 26.6% increase from the previous year. Traditional e-commerce platforms contributed 1,109.3 billion RMB (up 20.1%), while livestreaming platforms accounted for 332.5 billion RMB (up 54.6%). Similarly, the 6.18 festival reported a GMV of 742.8 billion RMB, with traditional platforms contributing 571.7 billion RMB and livestreaming platforms 206.8 billion RMB.

January 2025 <ul style="list-style-type: none">• 1st New Year• 24th International Day of Education• 29th Chinese New Year	February <ul style="list-style-type: none">• 12th Lantern Festival• 14th Valentine's Day
March <ul style="list-style-type: none">• 8th International Women's Day• 12th Arbor Day	April <ul style="list-style-type: none">• 1st April Fool's Day• 4th Qing Ming Jie• 7th World Health Day• 22nd World Earth Day
May <ul style="list-style-type: none">• 1st Labor Day• 4th Youth Day• 11th Mother's Day• 20th 520 ("I Love You") Day• 31st Dragon Boat Festival	June <ul style="list-style-type: none">• 1st Children's Day• 7th to 9th: College Entrance Exams (Gaokao)• 15th Father's Day• 18th 618 Shopping Festival

- International Festival/Other
- Chinese Festival/Observance
- E-commerce Holiday

Source: RedFern Digital Analysis

July 2025

August

- 29th Qixi Festival (Chinese Valentine's Day)

September

- 6th Ghost Festival
- 9th 99 Shopping Promotion
- 10th Teacher's Day

October

- 1st National Day & Golden Week
- 6th Mid-Autumn Festival
- 31st Halloween

November

- 11th Double 11/Single's Day Shopping Festival
- 28th Black Friday

December

- 12th Double 12 Shopping Festival
- 24th Christmas Eve
- 25th Christmas Day
- 31st New Year's Eve

International Festival/Other

Chinese Festival/Observance

E-commerce Holiday

Source: RedFern Digital Analysis

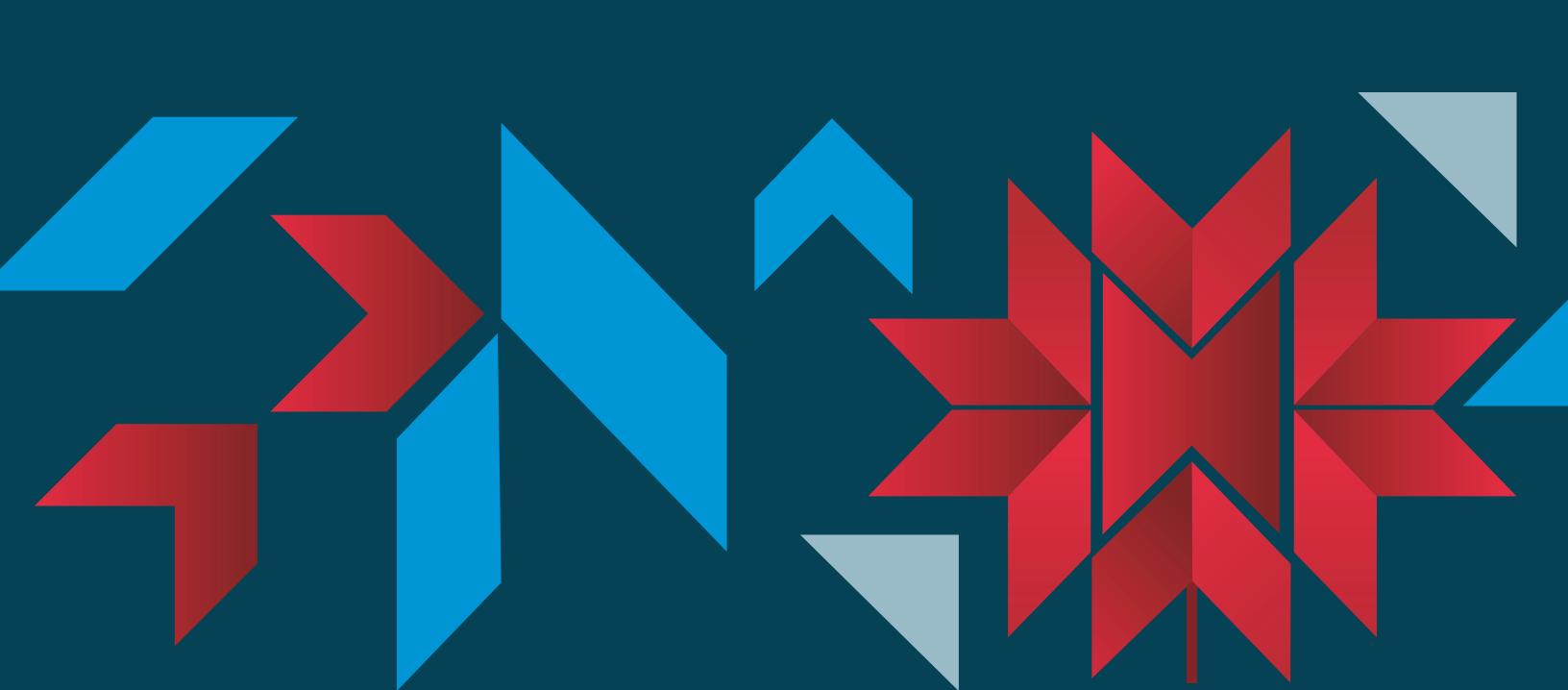
However, the increased rates of returns have raised concerns about the accuracy of GMV figures. Factors such as higher promotional thresholds for bundle discounts and the continued validity of discounts even after returns encourage consumers to buy expensive or unwanted items to qualify for the discount threshold.

Another clear trend is the strong impact of livestreaming during the shopping festivals. Douyin secured the spot of top livestreaming platform for both Double 11 and 6.18 in 2024, followed by Kuaishou and Taobao Live. Notably, there has been a shift from reliance on top-tier influencers to mid-tier hosts.

During shopping holidays, consumers will typically have high purchasing desire, taking advantage of the discounts and promotions offered. However, a key challenge to acknowledge is the fierce competition among brands, making it difficult for smaller and more unknown brands to stand out, especially with smaller marketing budgets. Moreover, to participate and attract customers, brands are usually required to offer high discounts or other promotions, which can impact profit margins.

In addition to the flagship shopping events, China also hosts several smaller festivals tied to traditional holidays or adapted from international celebrations. For new entrants, participating in smaller themed festivals can help build awareness, establish a market presence, and lay the foundation for joining larger-scale events. In particular, recent trends show brands need to focus on brand differentiation and other factors such as enhanced after sales care. Affordability, as a sole factor, is no longer sufficient in winning over Chinese consumers.





Preparation for the China Market

Category Analysis

Competitor Benchmarking

Consumer Understanding

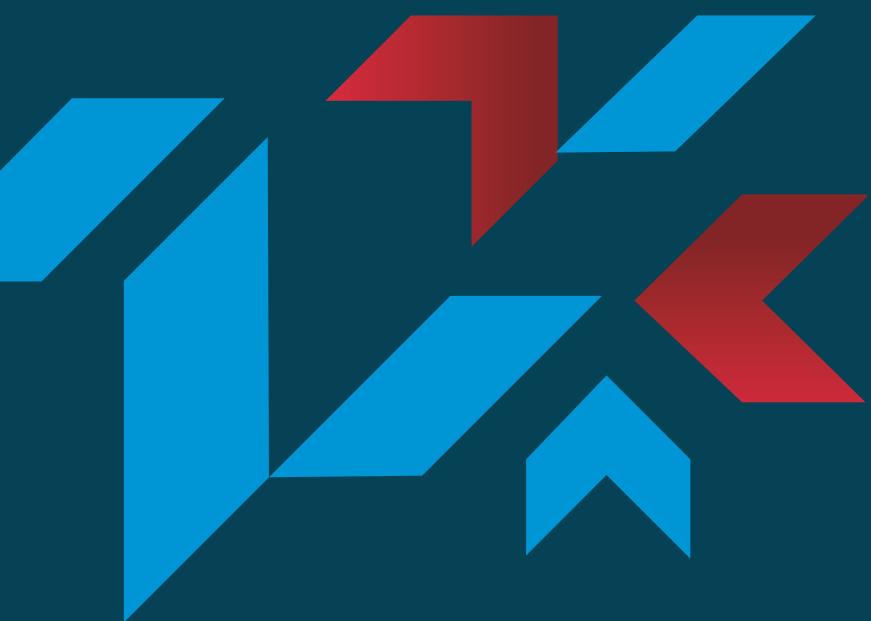
Platform Selection

SKU/Product Selection

Compliance & Intellectual Property

Branding & Localization

Market Budgeting

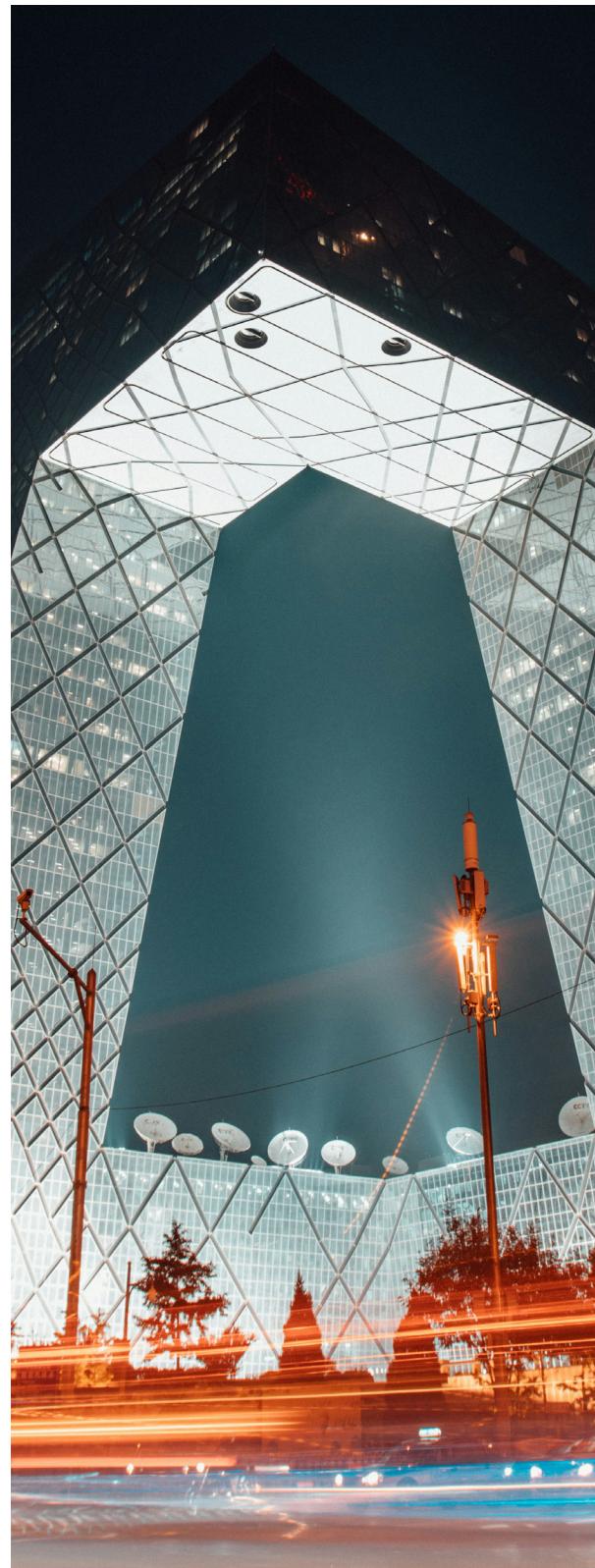


Prior to market entry, brands need to have a clear understanding of the following:

- ◆ What is the category and regulations that are applicable to my brand?
- ◆ Who are my competitors and what can I learn from their successes and failures?
- ◆ Who is my target audience and where/how can I reach them?

By following these steps, Canadian companies can make informed decisions when selecting an e-commerce platform in China and effectively tap into the vast opportunities offered by the Chinese market.

- ◆ Understand the market: Research and understand the Chinese e-commerce market landscape, including major players, consumer preferences, and trends in market.
- ◆ Platform options: Consider popular e-commerce platforms in China, such as Alibaba's T-mall, JD.com, and Pinduoduo. Each platform has its own strengths, audience demographics, fee structures, features, and services.
- ◆ Target audience: Identify your target audience in China and choose the platform that aligns with their demographics, preferences, and shopping habits. Consider factors like age, income level, and geographical location.
- ◆ Brand positioning: Determine how you want your brand to be positioned in the market, including localization, key messaging and visuals, and general branding.
- ◆ Costs and fees: Compare the costs and fees associated with market entry, including setup fees, commission rates, advertising fees, and any other additional charges.
- ◆ Regulatory compliance: Ensure that the brand complies with all relevant regulations and laws in China, including data privacy laws, consumer protection regulations, and import/export regulations.
- ◆ Integration and support: Consider the ease of integration with your current systems and the level of support required for China market entry, including language support, account management, and technical assistance.
- ◆ Test and iterate: Start with a small-scale pilot or test campaign on market entry through the selected platform to gauge performance and gather feedback. Iterate and refine your approach based on the results.



Category Analysis

Understanding the online category that a brand or its products fall into is pivotal to developing a customized strategy for the Chinese market. The following are important aspects to conduct research on prior to entry:

- ◆ Competitor landscape
- ◆ Pricing structures
- ◆ Packaging and product formats
- ◆ Promotional and marketing strategies
- ◆ Sales performance across channels and platforms, both year-by-year and month-by-month
- ◆ Best-selling products in the category/best-selling product sub-categories



Through the above information, brands can then understand current and future market trends, and where the opportunity within the market lies.

There are several ways to obtain this data, including:

- ◆ Data mining providers for sales figures
- ◆ Social listening providers
- ◆ Frequent monitoring of the platforms

Alibaba displays rounded total sales figures for each product, which can help provide a better understanding of the top selling products in a category.



Competitor Benchmarking

Understanding the competitive landscape can help brands learn from the successes and failures of their peers, gain insights into consumer feedback and market performance, validate demand, and identify effective marketing strategies.

3 Steps to Competitor Benchmarking:

- 1. Identify the competition:** Narrow down the scope of competitors to ones that have a similar target audience and address similar pain points for consumers. This can be identified through sales data, top-selling product rankings, and products with recent spikes in sales, either within the same category or across different categories but addressing the same pain points.
- 2. Clear parameters for competitor analysis:** Determine the core indicators that are relevant to the product and category, including product features, frequently used product keywords, market positioning, services, and successful promotional campaigns. As an example, features that are relevant to brands in the beauty category can include efficacy, texture, skin feel, ingredients, packaging format and design, price, gifting options, logistics, customer services, and more. These indicators can be determined based on the product's characteristics and analysis requirements.
- 3. Collect competitor's data across e-commerce platforms:**

Product data: the product name, product description, frequently used keywords, product parameters, shop and brand information

Pricing strategy: price changes, coupons offered, gift packages developed, batch sales, sales volume, etc.

Product reviews: product ratings, order time, key features or points that reviewers comment on, etc.

Analyzing these aspects of the market will help your brand to:

- ◆ Forecast sales
- ◆ Develop a pricing strategy
- ◆ Select hero products
- ◆ Develop a marketing & branding strategy



Consumer Understanding

Understanding consumer behaviour in the Chinese market is crucial before considering market entry. For different product categories, consumer behaviour can vary significantly in terms of:

- ◆ How much consumers are willing to spend
- ◆ What they are willing to purchase
- ◆ Where they will make the purchase
- ◆ What the key purchasing factors are for the product
- ◆ Which types of promotions or campaigns are most likely to catch their interest

The following methodologies can be used to conduct consumer research

- ◆ Market research: Including market sales data, market trends and growth-related data
- ◆ Consumer surveys (quantitative & qualitative)
- ◆ Focus groups
- ◆ Product trials through giveaways
- ◆ Engagement with Key Opinion Leaders (KOLs)
- ◆ Competitor studies

Tips for engaging customers:

- ◆ Address genuine consumer needs, leveraging the authentic strength of the brand, and showcase more "value-based-worthiness"
- ◆ Provide emotional value, added cultural significance, and deliver engaging experiences to satisfy consumers' need for novelty and emotional resonance
- ◆ Conduct New Product Development to directly align with Chinese consumer interest and demand



Platform Selection

Platform selection is dependent on the product category, target audience, and brand strategy.

The following factors are dependent on platform:

- ◆ Target audience
- ◆ Pricing of products
- ◆ Delivery timeframes and process
- ◆ Branding for platforms
- ◆ Choice of e-commerce model (cross-border e-commerce vs domestic)
- ◆ Marketing

As previously mentioned in this report, there are several benefits for Canadian brands looking to engage in cross-border e-commerce. Some of these benefits include:

- ◆ Avoidance of stringent regulations
- ◆ Tax exemption if the tax payable amount is within quota
- ◆ Premium pricing accepted by consumers



SKU/Product Selection

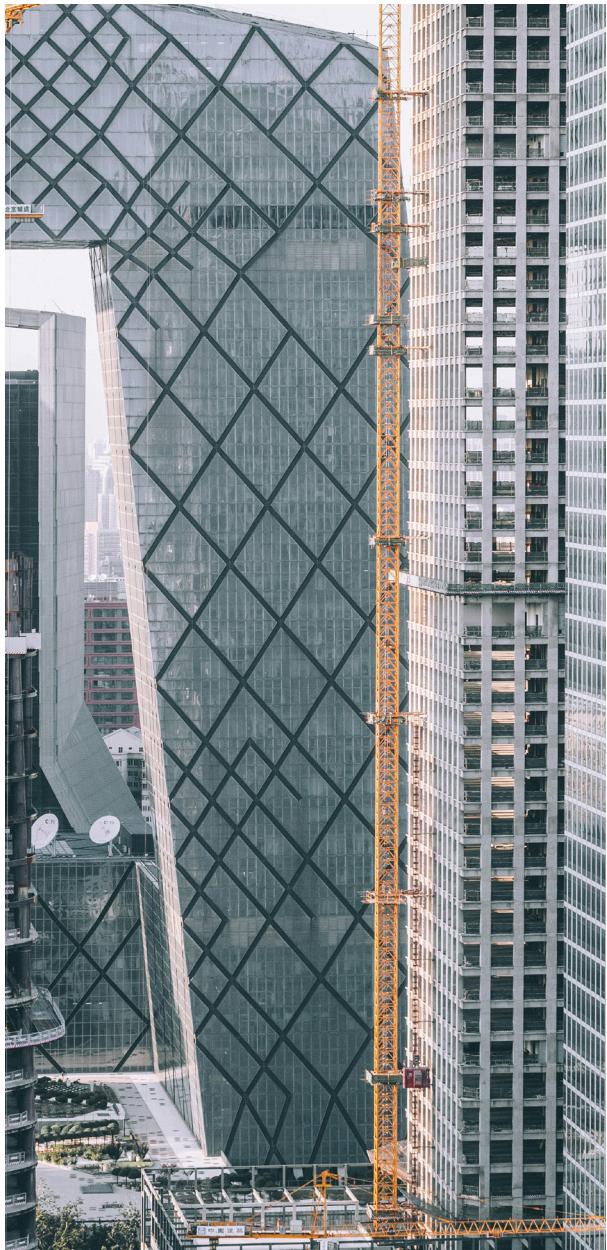
“Hero Product” is a term used to refer to a brand’s top-selling product. Items that are chosen as hero products should have the most potential in market and should also be the SKU the brand focuses on in terms of resourcing and promotions.

The previously discussed methods can all be used to determine the most likely to succeed product in a brand’s roster:

- ◆ Consumer feedback (focus groups and quantitative surveys)
- ◆ Online sales data collection and analysis
- ◆ Competitor studies
- ◆ Testing across advertisement campaigns or promotions to determine the best-selling product.

Compliance & Intellectual Property

Securing trademarks plays a vital role for businesses striving to solidify their brand presence and protect their intellectual property. In the context of entering the Chinese market, trademark registration should be among the first steps taken. China operates on a "first to file" basis for trademark registration, which prioritizes registration date over actual usage. Only under special circumstances where the trademark is already well-known, can proprietary rights through use be an option for brands in specific trademark disputes.



What happens if brands do not register?

Scenarios could occur where individuals or entities register a trademark before the rightful owner, leading to unnecessary disputes. This situation, known as Trademark Squatting or Hijacking, involves:

- ◆ Third parties registering a trademark without genuine intent to utilize it, often with the aim of selling it back to the brand owner.
- ◆ Third parties registering trademarks with the purpose of demanding licensing fees or initiating infringement lawsuits against the brand owner.
- ◆ Third parties registering trademarks to leverage the overseas success and reputation of a brand, thereby causing brand confusion or reputational damage in the China market.

These third parties may include distributors, suppliers, vendors, employees, and others.

Benefits of registering

Once a trademark is successfully registered in China, the official document of trademark ownership serves as powerful evidence in disputes, significantly reducing the cost and time of enforcement compared to disputes involving unregistered trademarks. Additionally, after registration, brands can apply to Chinese customs to record the trademark information for monitoring counterfeit products entering or leaving the country.



Trademark classification

In China, trademark classification adheres to the international Nice Classification system, which consists of 45 classes. Classes 1-34 are allocated for goods, while classes 35-45 are designated for services. The table below provides a brief summary of the different classes.

Class 01 Chemical Products	Class 02 Paint Products	Class 03 Non-medicated Cosmetics & Cleaning Products	Class 04 Industrial Oils, Lubricants & Fuel Products	Class 05 Pharmaceutical Products
Class 06 Metal Products	Class 07 Machinery Products	Class 08 Hand-operated Tools	Class 09 Scientific, Measuring, Or Electrical Products	Class 10 Medical Tools & Instruments
Class 11 Environmental Control Apparatus & Installations	Class 12 Vehicles & Transport Products	Class 13 Firearms & Pyrotechnic Products	Class 14 Precious Metal & Jewellery Products	Class 15 Musical Instruments & Accessories
Class 16 Paper-related, Art & Office Products	Class 17 Rubber Products & Electrical, Thermal & Acoustic Insulating Materials	Class 18 Leather & Imitation Leather Products (Does Not Include Clothing)	Class 19 Non-metal Construction Materials	Class 20 Furniture-related Products
Class 21 Household Apparatus & Glassware	Class 22 Rope, Padding, Or Fibrous Products	Class 23 Yarns & Threads	Class 24 Textile Products	Class 25 Clothing, Footwear & Headwear
Class 26 Lace, Embroidery, Wigs & Hair Adornments	Class 27 Carpets, Floor & Wall Coverings	Class 28 Toys & Sports Equipment	Class 29 Meats & Processed Food Products	Class 30 Staple Food Products
Class 31 Natural Agricultural Products	Class 32 Non-alcoholic Beverages & Beer	Class 33 Alcoholic Beverages (Excluding Beer)	Class 34 Tobacco & Smoking Products	Class 35 Services Related To Advertising, Business Management & Organization
Class 36 Services Related To Banking & Finance	Class 37 Services Related To Construction & Repair	Class 38 Services Related To Telecommunications	Class 39 Services Related To Transport, Storage & Travel	Class 40 Services Related To Treatment & Processing Of Materials
Class 41 Services Related To Education & Entertainment	Class 42 Services Related To Computer & Science	Class 43 Services Related To Hospitality & Restaurants	Class 44 Services Related To Medical Care, Beauty Care & Agriculture	Class 45 Services Related To Legal, Security & Social

For more details on the international trademark classes, please visit: <https://nclpub.wipo.int/>

Handling Trademark Infringements

The major e-commerce platforms in China all have integrated mechanisms for reporting intellectual property (IP) infringement. Brands can file IP infringement claims with the e-commerce platform, which will help to issue takedown notices to infringing entities.

Before establishing a store, brands should thoroughly review the specific IP protection policies and procedures outlined by each e-commerce platform to ensure preparedness for potential infringements.

In the event of a takedown notice issued by a platform against an alleged infringing merchant, the merchant retains the option to submit a declaration of non-infringement. Following this, the IP owner must initiate enforcement actions within a certain time limit, after which the takedown notice will be revoked if no actions are taken.

Branding & Localization

For brands looking to localize and sell through e-commerce in China, changes in branding can be subtle and guided by differences in consumer behavior and preferences. The brand's personality and brand style in Canada will play a key role in China, so brands should only look to adjust their branding to fit into the Chinese lifestyle and aesthetic preferences.

Brands need to ensure the following to better resonate with Chinese consumers:

- ◆ Understand consumer preferences, behavior, and cultural nuances in China
- ◆ Maintain and develop a strong brand identity in terms of logo and brand colors, crafting a unique brand story
- ◆ Localization of branding materials including product descriptions and marketing messages, while ensuring that translations are culturally appropriate and resonate with local consumers. However, there is no need to remove English from the packaging, as it indicates to the consumer that this is a genuine foreign imported item.
- ◆ Engage with Chinese social media to build brand awareness and drive traffic to your e-commerce store
- ◆ Utilize influencer marketing by partnering with Chinese influencers (Key Opinion Leaders) or celebrities to promote your brand and products to a wider audience. Influencer marketing is highly effective in China and can help increase brand visibility and credibility.

Case Study: Arc'teryx

Arc'teryx, a Canadian high-performance outdoor equipment brand, has garnered a reputation for pioneering advancements in climbing, skiing, and alpine technologies. Particularly resonating with younger demographics in China and on various social media platforms, the brand has inspired a host of nicknames among its enthusiasts. Fans affectionately dub themselves "Bird Fans", while the brand's distinctive outfit styles are referred to as "Birdy."



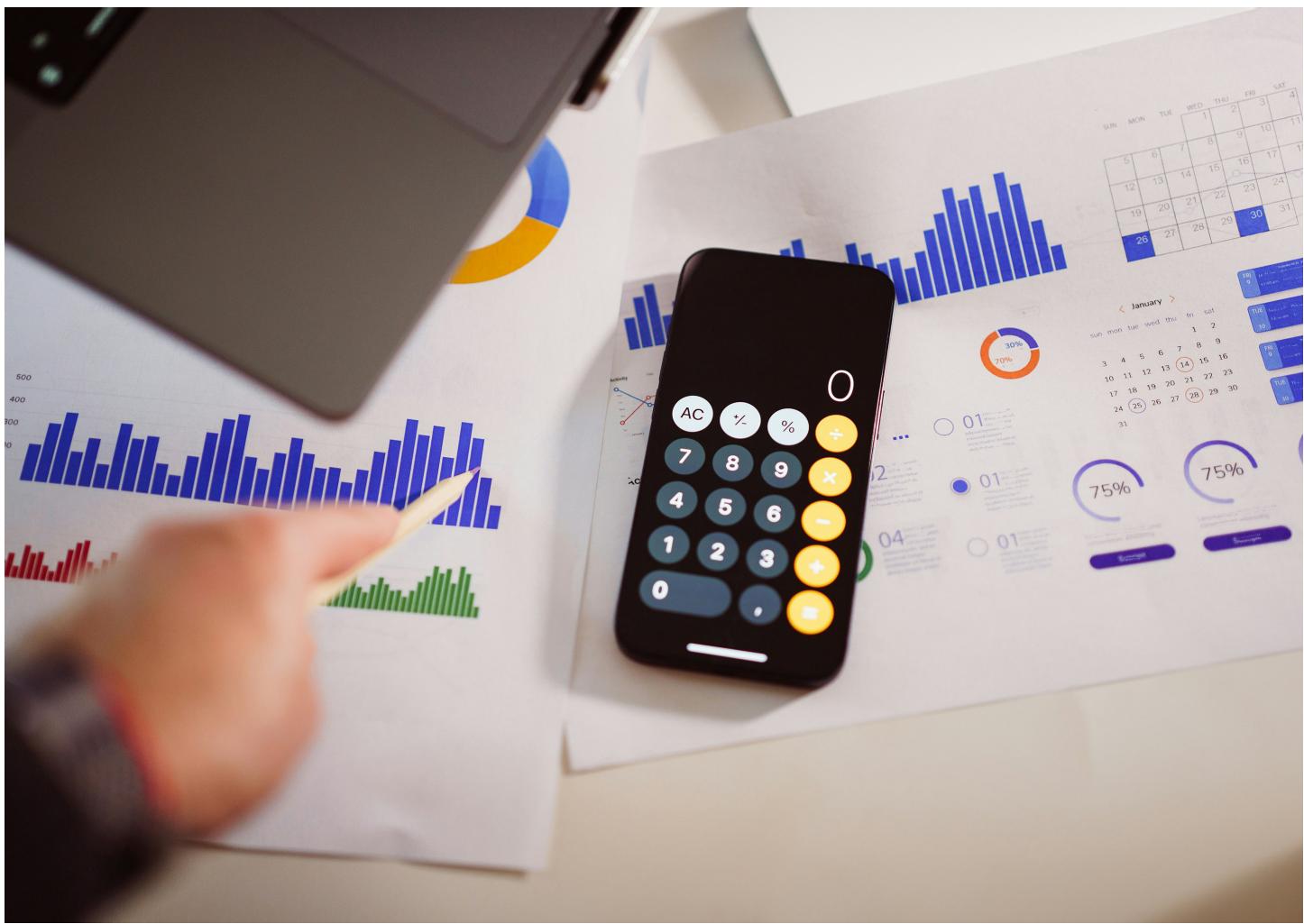
Brand name: Arc'teryx

Slogan: There is always a better way

Chinese brand name: 始祖鸟 (shi zu niao)

Chinese slogan: 追求极致,演绎完美, 探索永不停止 (Pursue the ultimate, interpret perfection, explore endlessly)





Market Budgeting

One of the biggest mistakes brands make when entering China is underestimating the budget needed for an effective marketing strategy. Yearly budgets for brands can range between 50,000 RMB on the lower end to over 5,000,000 RMB for larger brands.

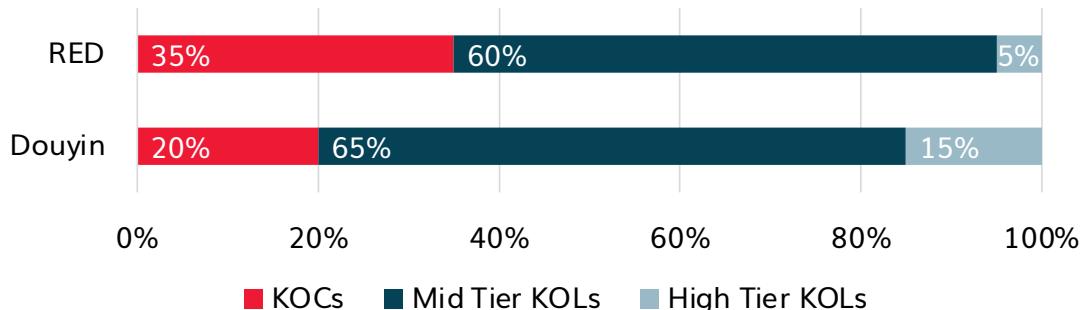
Marketing services that your budget should look to cover:

- ◆ Social media strategy
- ◆ Media spend across social media and e-commerce websites
- ◆ Baidu search engine optimization & search engine marketing
- ◆ Public relations
- ◆ KOL & KOC service fees

KOL Budgeting

Estimations for pricing typically hover around 10% of the Key Opinion Leader's (KOL) fanbase. However, it's worth noting that fees ranging from 10% to 15% could be deemed suitable for smaller KOLs and fees for larger KOLs might dip below 10%. The pricing for KOL collaborations varies significantly based on factors such as content creation proficiency, seeding influence, follower commitment, engagement levels, niche, platform, content style, and more. Assessing a KOL's track record in previous brand collaborations can help brands gauge whether the proposed prices align with expected returns on investment (ROI).

How to Deploy KOL & KOC Spend Across RedNote and Douyin

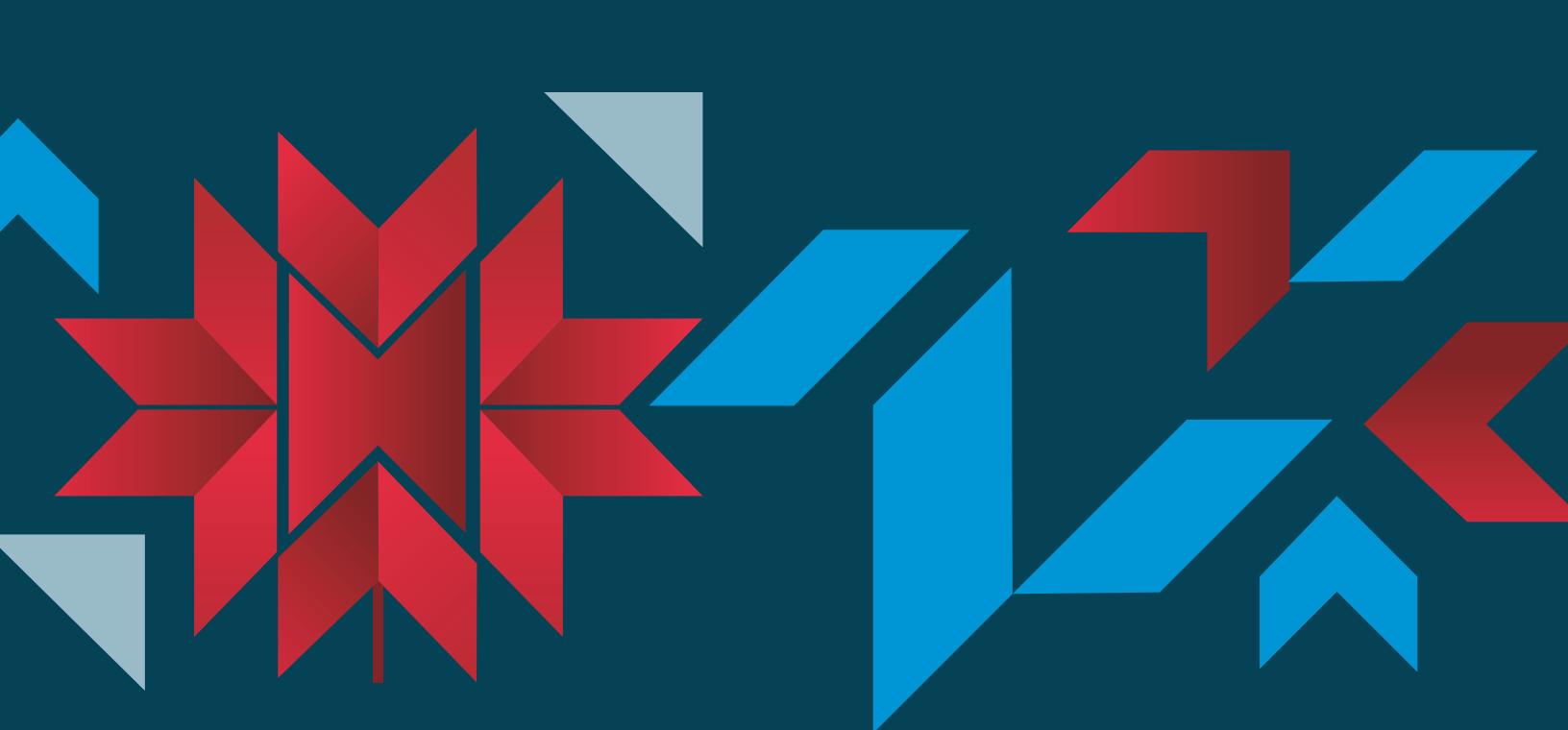


Example of a Paid Media Budgeting Plan

	Budget in CAD												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
RedNote KOL/KOC	/	/	8,000	8,000	8,000	/	8,000	8,000	8,000	/	/	/	48,000
Free Seeding	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Douyin KOC	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
RedNote Promotional Tool/SEM	/	/	/	2,000	2,000	2,000	/	2,000	2,000	2,000	2,000	2,000	16,000
IP Collaboration	/	/	4,000	4,000	/	/	/	/	4,000	4,000	/	/	16,000
Customer Acquisition (WeChat)	/	/	/	/	/	/	/	10,000	10,000	10,000	/	/	30,000
Zhihu	/	/	/	/	/	/	1,000	1,000	1,000	/	/	/	3,000
Livestreaming	/	/	/	10,000	10,000	10,000	/	/	/	/	10,000	/	40,000
Offline Event	/	/	600	600	600	600	600	600	600	600	600	/	5,400
Owned Media Operation RedNote	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Total													211,200

Source: RedFern Digital Analysis

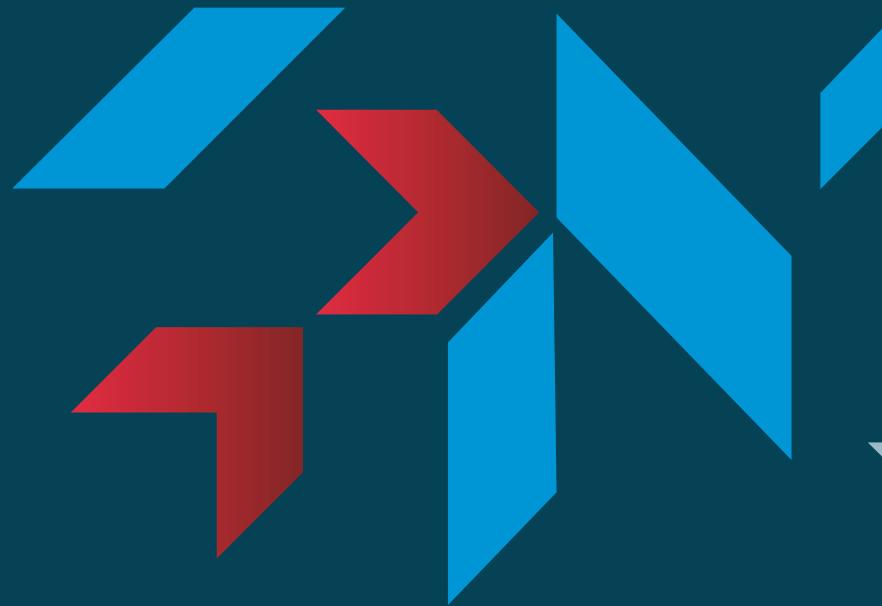
Please note that the above plan should only be used as a reference for where the paid media spend can go, and what a general annual plan can look like. However, product category, campaign strategies, and marketing strategies will cause huge variances in month-by-month budgeting.



Methods of E-Commerce Entry

General Trade

Cross-Border E-commerce



General Trade

Overview

To sell products through general trade in China, which includes the domestic version of the e-commerce platforms Tmall and JD.com, Canadian companies must establish a legal presence in the country. Additionally, these online sales platforms often have specific requirements for brands prior to onboarding, such as trademarks, minimum registered capital, and a track record of business operation.

Certain products, such as cosmetics, mother & baby products, and nutritional health products, require product registration, adding significant costs for newcomers.

Setting up a legal entity in China is a labor-intensive process that can take up to a year, with additional time also required for thorough due diligence on potential partners. The Foreign Investment Catalogue outlines permissible methods and industries that foreign brands can establish themselves in within China, with sensitive or culturally significant sectors often facing barriers.

Once established, Canadian companies can conduct business activities as defined by their entity's scope, which is determined during setup. They can also operate local websites and flagship stores on domestic e-commerce platforms. However, regional government policies may vary, requiring further considerations.

Alternatively, companies can collaborate with partners for product import and distribution within mainland China, either online or offline.

Cross-Border E-commerce

Cross-border e-commerce (CBEC) refers to transactions where buyers and sellers operate in different countries, often under different legal jurisdictions, using different import methods, currencies, and languages. This model allows foreign brands who do not have Chinese business licenses or Chinese entities to sell their products more conveniently in China, reducing the barriers of entry.

CBEC in China – 2023

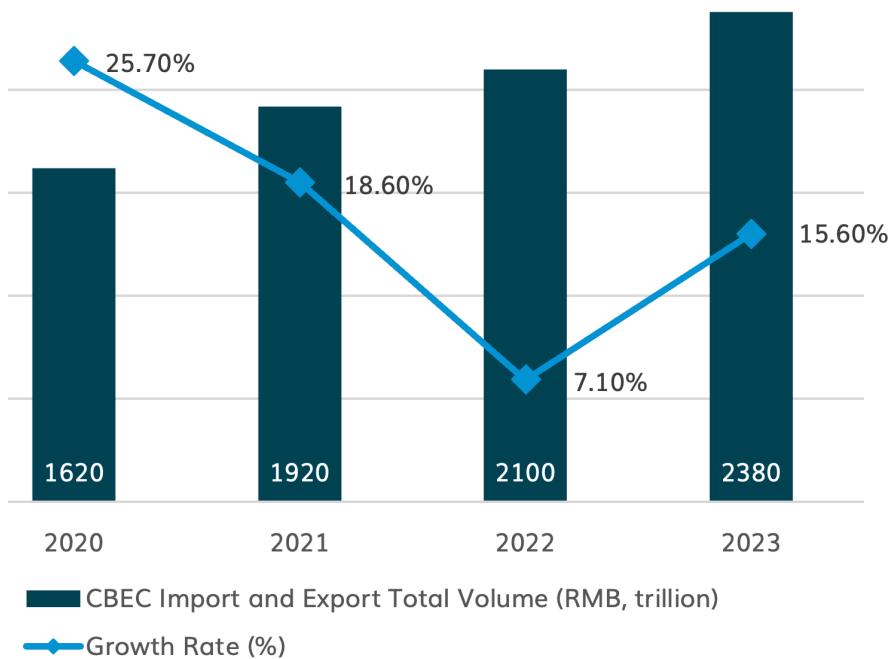
In 2023, China saw a recovery in CBEC import and export growth, with a YOY growth value of 15.60% in 2023 compared to 7.10% in 2022. This growth figure in 2023 is contributed towards by a 19.6% increase in exports and a 3.9% increase in imports.

Government policies have bolstered the growth of CBEC in China through the setting up of pilot Free Trade Zones (FTZs) across the country, which implement preferential tax treatments and simplified customs clearance procedures.

FTZs have different regulatory requirements and operate under separate rules from companies that have a legal presence within China's customs borders. These FTZs are technically outside China's customs border, and therefore products transiting from these FTZs into the customs border of China are considered to fall under cross-border trade. Additionally, China has optimized logistics infrastructure and warehousing facilities to further encourage commerce within these zones.

E-commerce platforms that offer cross-border options, such as Tmall Global, JD Worldwide, Douyin, and RedNote, allow Canadian companies to engage with consumers without having to establish a legal entity in China or sell through a domestic partner.

China's CBEC Import and Export Value



Source: China Briefing. The data for 2020, 2021, and 2022 was compiled by Xinhuanet, and the data for 2023 was compiled in a government report.

There are currently two main models of operation for cross-border marketplaces: Bonded Warehouse and Direct Mail.

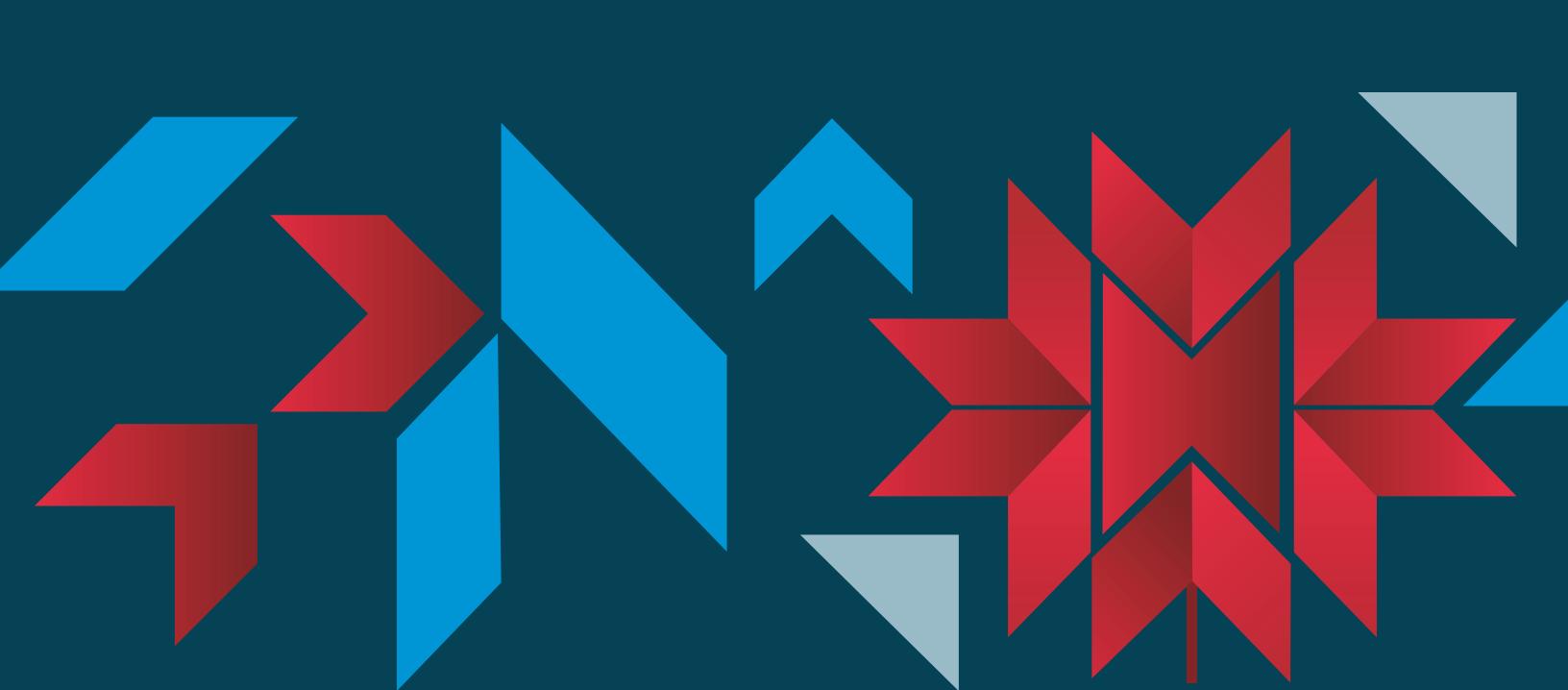
For most brands, the Bonded Warehouse model is recommended because of the following benefits:

- ◆ Reduced expenses when compared to fulfillment via Hong Kong or abroad, mostly because of lower labor costs and more economical last-mile delivery services
- ◆ Simplified customs clearance and product registration, along with the deferral of CBEC tax until point of sales
- ◆ For consumers, the key benefit is the shorter delivery time, as the products only need to be shipped from the bonded warehouse within the FTZs in China, as opposed to international shipment for each order

However, some brands may choose the Direct Mail model instead because of factors such as product weight, dimensions, and storage preferences. A drawback of this model is the longer delivery times due to international shipment and the high costs.

Cross-Border Opportunity Expands for Additional Categories

In March of 2024, the Ministry of Commerce (MOFCOM) in China announced the shift away from a “positive list” system to a “negative list” system. Previously, only categories that were on the positive list were able to enter China through cross-border trade. However, the announcement of two new negative lists, one that is applied nationwide and another that is applied to the free trade zones, now allows for all categories not on the lists to sell into China, thus expanding access to the market.



E-commerce Platforms

Platform Overview

Traditional Platforms (Tmall & JD)

Social Commerce

Livestreaming

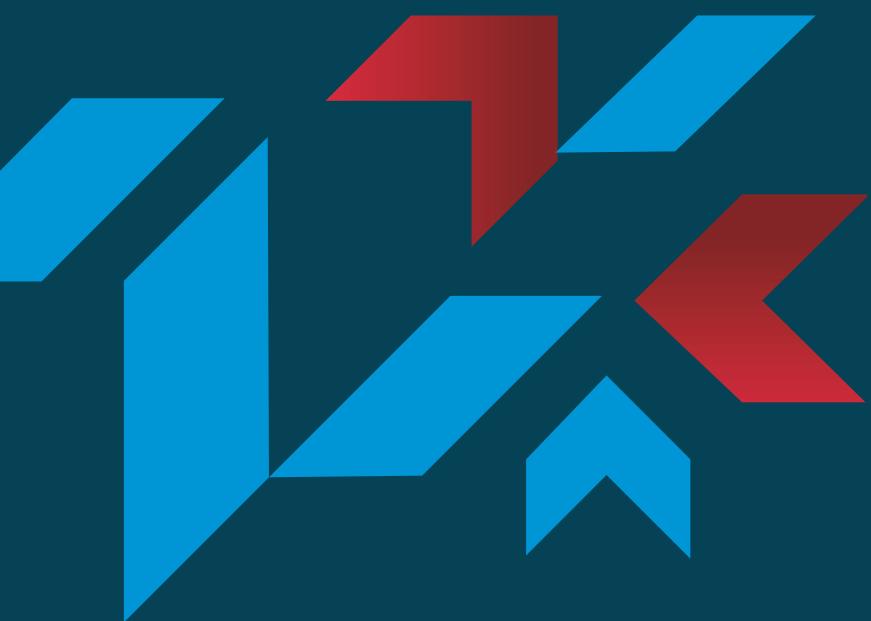
Cross-border E-commerce

New Retail, Eleme & Meituan

Flash Sales, Group Buying & Other Platforms

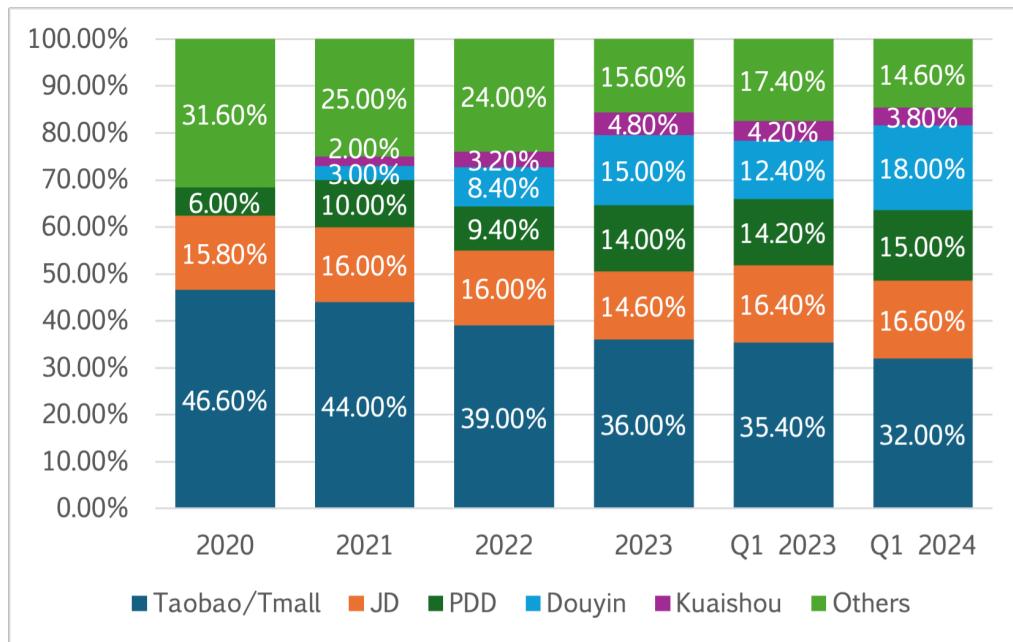
Consumer to Consumer (Taobao)

TP Partner Selection



Platform Overview

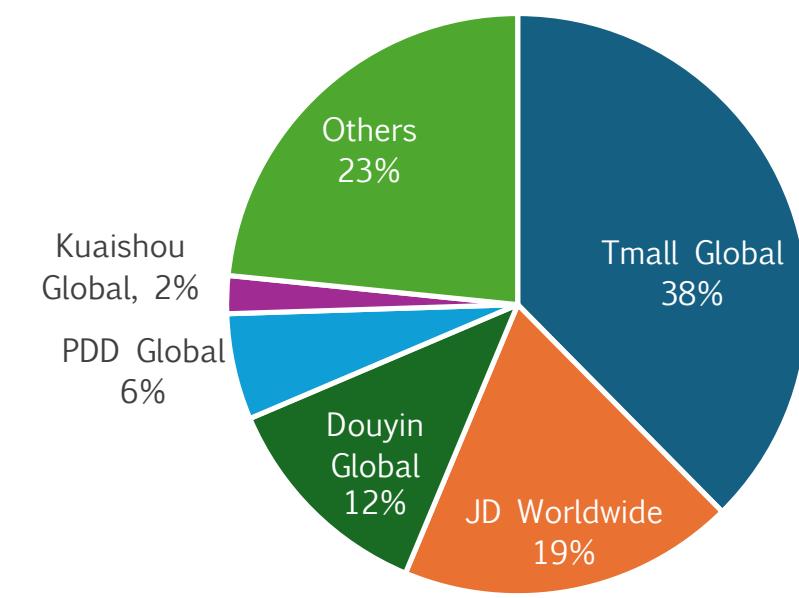
Market Share of E-commerce Platforms in China by Sales Value



The graph to the left shows the change in market share of domestic e-commerce platforms in China. As can be seen, Douyin has seen explosive growth since it first launched its e-commerce features, overtaking both JD and Pinduoduo (PDD) to become the second largest e-commerce platform in China as of Q1 2024.

Source: Kantar Worldpanel; Bain analysis

Market Share of Cross-Border E-commerce Platforms in China



The graph to the left shows the market share of cross-border e-commerce platforms in China. Similar to the domestic e-commerce market, Alibaba takes the lead with Tmall Global. JD Worldwide remains in second place, although Douyin Global's market share is continuing to rise rapidly.

Source: Analysys; Statista

Traditional Platforms (Tmall & JD)

What's new for T-mall and JD in 2024?

T-mall: Launched by Alibaba Group in 2008, Tmall (www.tmall.com) is China's largest e-commerce platform for domestic and foreign brands.

As a B2C platform, Tmall sits as one of the top choices among brands to launch their e-commerce stores in China. Moreover, the platform is accessible within the larger C2C platform run by Alibaba Group called Taobao, with all products on Tmall also searchable within Taobao.

Statistics from 2023:

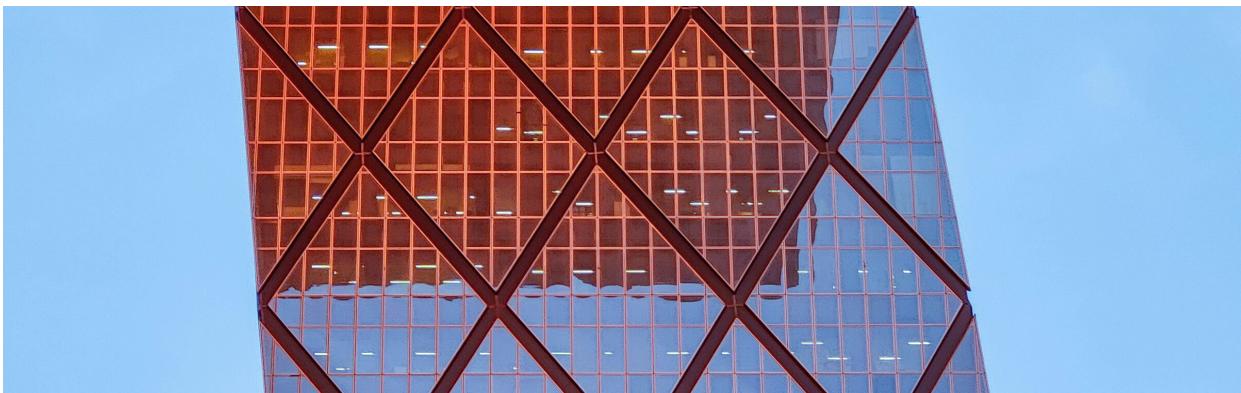
- ◆ Over 4,100 brands had a turnover of over 100 million RMB, while more than 5,000 brands achieved a transaction volume of over 10 million RMB within three years of opening their stores.
- ◆ Among new products launched in 2023, 688,000 achieved sales of over one million RMB, and more than 1,800 exceeded 100 million RMB in sales.

The achievements of brands on the platform have been supported by Tmall's ongoing investment in developing resources for product launches and brand support.

"Content E-commerce" has emerged as a key term, reflecting users' growing preference for content and entertainment alongside their shopping activities, as evidenced by the surge in monthly transactions during livestreams. In 2023, over 12,000 livestreaming rooms recorded monthly transactions exceeding 1 million RMB on Taobao. Additionally, Taobao continues to prioritize content integration with e-commerce, establishing a dedicated unit in December 2023 which focuses on amalgamating short videos, livestreaming, graphics, texts, and store operations to create a more cohesive content ecosystem.

These initiatives by Taobao underscores the growing trend of integrating content creation with e-commerce, fostering a more interactive shopping experience that enhances customer loyalty and boosts conversion rates.

The cross-border e-commerce counterpart to Tmall is Tmall Global.



JD: JingDong (www.JD.com) or JD.com was established in 1998 and is the second largest e-commerce platform in China.

When it comes to updates for 2024, new products are a key strategic focus, with the platform's strategy focusing on upgrading three major points:

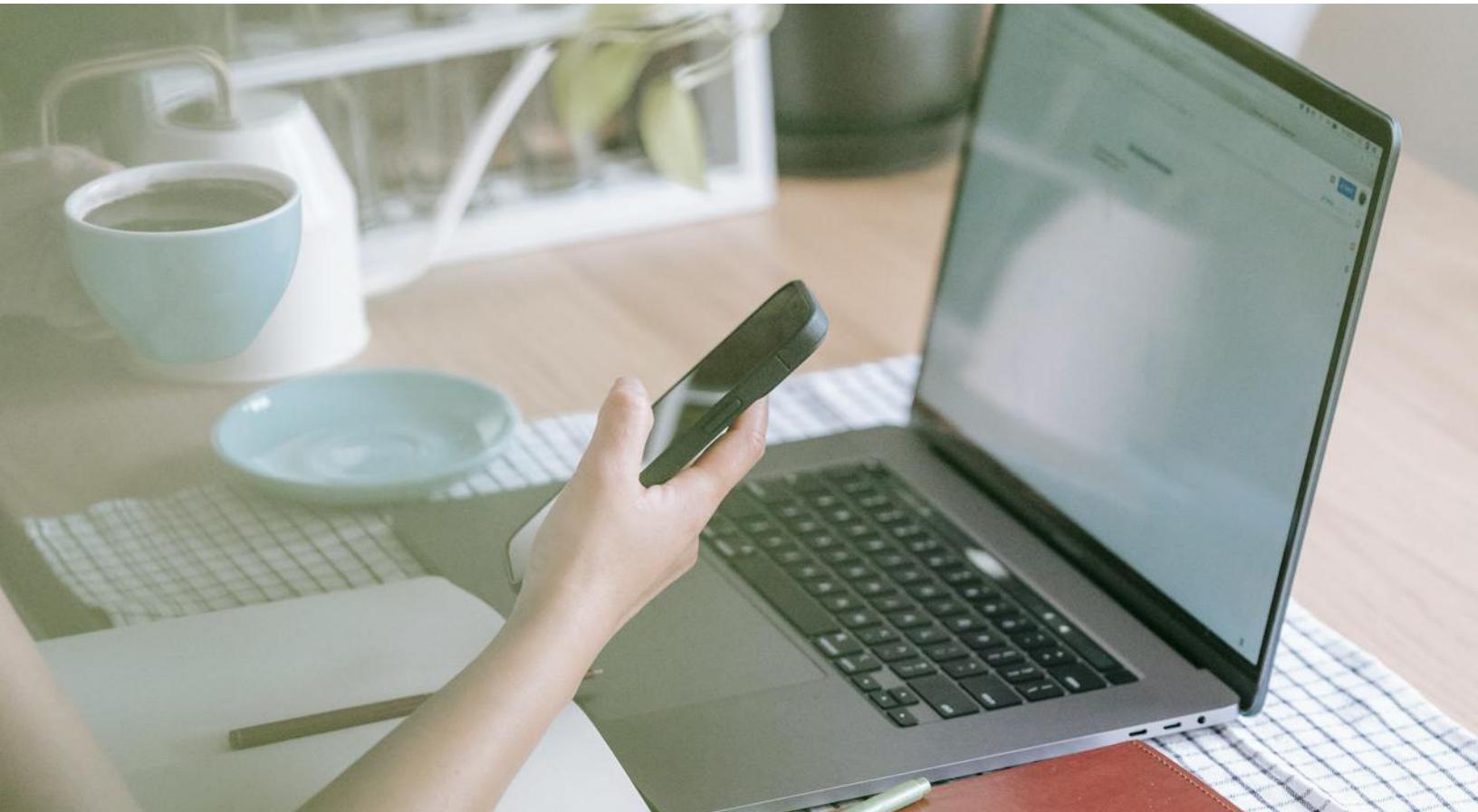
- ◆ Operational capabilities
- ◆ Marketing capabilities
- ◆ Digitization and incubation of new products

Over the course of 2024, JD has announced a "Triple Hundred Plan" that is focused on creating 100 exclusive or "first-to-market" new products lists with sales exceeding 100 million RMB each, and on developing 100 IP-licensed and trending new products with sales exceeding 10 million RMB each. Moreover, the platform also intends to support over 10,000 stores with achieving a year-on-year sales growth of 100% in new product sales.

Similar to Tmall, JD is also planning to increase resources to provide additional digital tools for brands, focusing on new product incubation, providing brands with pre-investment trend analysis, co-development of products with consumers, new product testing, and product monitoring. This will empower brands to adjust strategies in a timely manner and increase the likelihood of new product launch success. In 2024, JD has also announced intentions to leverage its mature resources in entertainment marketing and IP marketing to offer exclusive collaborations for new products.

As can be seen, JD's focus on brand and new product support presents a huge opportunity for brands looking to enter the market.

The cross-border e-commerce counterpart to JD is JD Worldwide.





Social Commerce

In 2023, e-commerce platforms in China remained vibrant, with optimistic industry market trends and an overall transaction volume exceeding trillions. However, the implementation of purchase features directly on social media platforms is increasing competition for e-commerce platforms. In 2022, social media platforms saw a 78% increase in the number of stores opened compared to the previous year, and a 79% increase in the number of products sold.

When it comes to where e-commerce revenue is coming from, brand flagship stores and brand exclusive stores are seeing a growth in market share. This is reflective of the strengthening of branding supported through social media e-commerce platforms.

Among the social commerce platforms, Douyin is at the forefront when it comes to growth and opportunity in China, growing to a reported GMV of 2.7 trillion RMB in 2023 and with a projected GMV target of 4 trillion RMB in 2024.



Attributes of the Top Social Commerce Platforms in China

Platforms	Taobao Live	Kuaishou	Douyin	RED
Platform Properties	E-commerce	Social + Content	Social + Content	Content
Product Categories	Wide range of categories and wide price range of products	Many cost-effective white-label products	Wide range of beauty and apparel products, although product categories are expanding	More niche and high-priced categories and products.
Type of Content	Livestreams	Livestreams + Short videos	Livestreams + Short video	Images, Videos, Livestreams
Conversion Rate	Very high	Medium	Higher	Medium
Price per Customer	Low to High	Low	Low	High

Source: 奇偶派

RedNote

RedNote, known as Xiaohongshu in Chinese, was originally created to provide a platform for users to review products bought overseas and to share their shopping experiences with the community.

Since then, the platform has developed into a comprehensive hub of user generated content (UGC) and word-of-mouth marketing, where consumers can discover new products, purchase products on the platform, watch e-commerce livestreams, and share about their own product experiences. The platform has high-quality Key Opinion Consumers (KOCs) and Key Opinion Leaders (KOLs), who produce content that their followers use for guiding their own purchase decisions.

In 2024, the monthly active users on the platform exceeded 300 million, with about 39% of users aged between 18 and 24 years old and another 39% aged between 25 and 34. The majority of users on the platform are from higher tier cities in China, with over 85% coming from first and second tier cities. When it comes to gender breakdown, female users account for 80%, compared to the 20% made up by male users.

Although RedNote has implemented purchase functions and an increasing number of merchants are opening stores on the platform or running e-commerce livestreams, it still primarily remains a platform for discovery and UGC.

Similar to other social commerce platforms, e-commerce livestreams have become a driving force on RedNote. The platform's data shows that from January to April 2023, compared with the same period in 2022, the monthly number of live broadcasts by RedNote stores increased by 290%, and the number of monthly users who made purchases during live broadcasts increased by 220%.

Douyin

Douyin has grown to the forefront of e-commerce livestreaming, distinguishing itself as a premier social commerce platform specializing in short-video content and livestreams. The platform has grown to a reported GMV of 2.7 trillion RMB in 2023 and has a projected GMV target of 4 trillion RMB in 2024. Douyin can be considered a separate platform to its international counterpart, TikTok, as the two platforms do not share content or user data and have differences in services and functions available. Compared to TikTok, Douyin places greater emphasis on livestreaming and e-commerce.

Douyin Statistics from 2023:

- ◆ 20% YOY growth in the total duration of e-commerce livestreams
- ◆ 11% YOY growth in the total number of sales during livestreams
- ◆ Among brand-run e-commerce livestreams, the total duration increased by 75% YOY, compared to a 10% increase among KOL/individual hosted livestream
- ◆ The number of users watching e-commerce livestreams conducted by brands increased 54%, compared to a 7% increase in users watching KOL or individual run livestreams

Industries with the Highest YOY Growth Rates of Viewership through Douyin Livestreams in 2023

Brand-led Livestreams		KOL/Individual-Run Livestreams	
Electronics & Digital	124%	Furniture & Building Materials	181%
Daily Necessities	99%	Pet Supplies	105%
Medical & Health Care	80%	Flowers & Plants	72%

Source: 蝉妈妈 (Chanmama)



Livestreaming

The Short Video to Livestreaming Transition

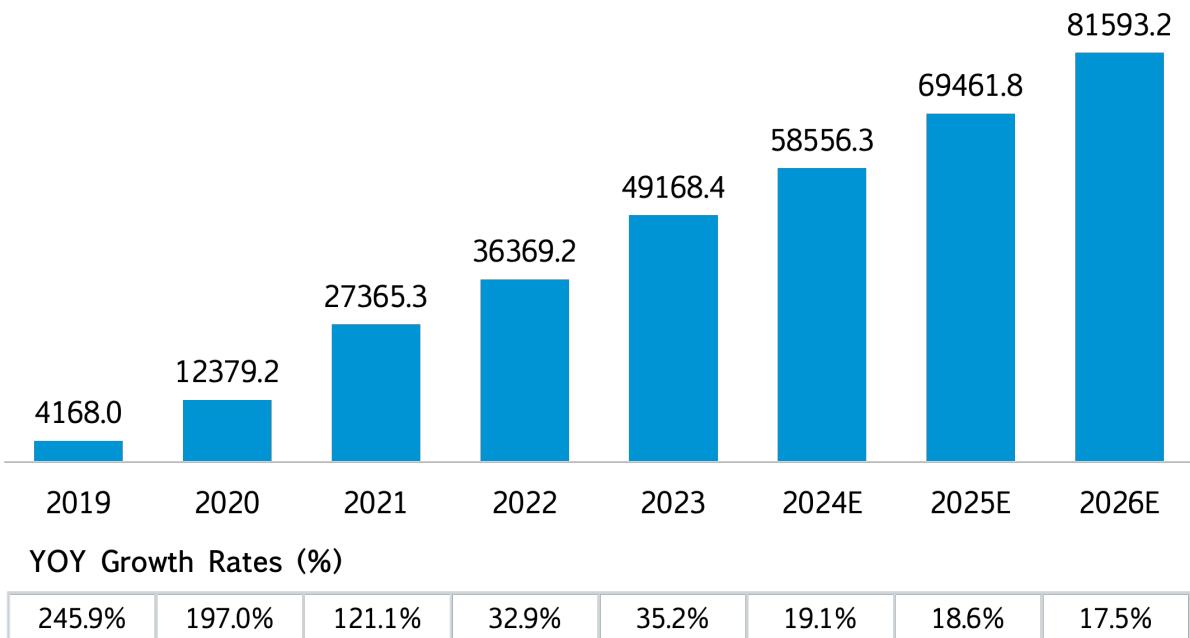
Livestreaming has become a transformative force in the market, reshaping the consumer journey and brand interactions in China. Two of the major livestreaming platforms, Douyin and Kuaishou, began as short-video platforms.

In June 2023, the user base for short video platforms reached 1.03 billion people, accounting for 95.1% of the internet user population, indicating an extremely high penetration rate for short video users. As short video platforms typically also feature livestreaming content, these users can be easily converted into livestreaming e-commerce consumers. By June 2023, the user base for livestreaming e-commerce reached 530 million people, accounting for 59.5% of the total online shopping user population. Livestreaming e-commerce has become one of the important channels through which online shoppers purchase goods.

In 2023, the scale of China's livestreaming e-commerce market reached 4.9 trillion RMB, with a YOY growth rate of 35.2%. Compared to the early stages of industry development, the growth rate has shown a slight decline, but still indicates growth potential. The compound annual growth rate (CAGR) of China's livestreaming e-commerce market from 2024 to 2026 is projected to be 18%. The industry is expected to demonstrate a stable growth trend and enter a stage of refined development.

Growth in Market Size of China's Livestreaming E-commerce Industry

(In 100 million RMB)



Source: iResearch 2024

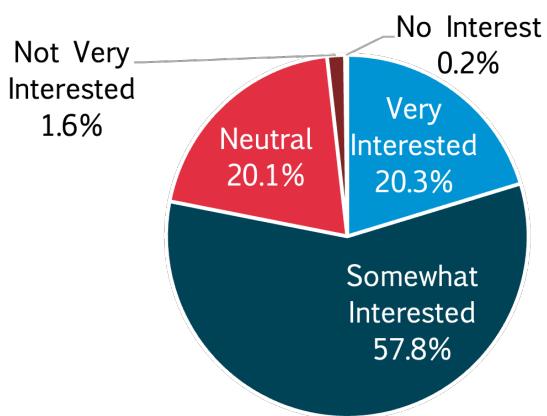
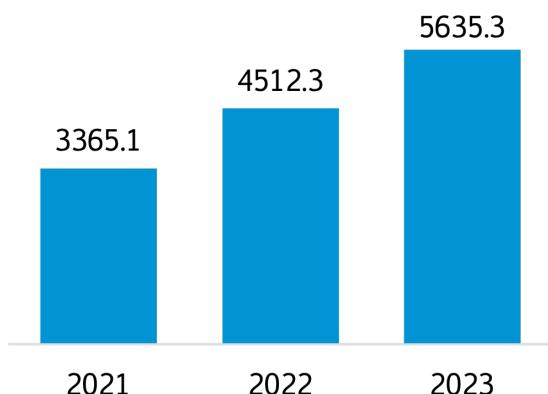
From 2021 to 2023, platforms like Douyin and Kuaishou have witnessed a steady increase in both the number of viewers and the conversion rate for purchase during livestreaming e-commerce sessions. In 2023 alone, the total number of views across these platforms reached a staggering 563.53 billion, with a purchase conversion rate of 4.8%.

One of the major shifts that have occurred within the livestreaming sphere since it first gained prominence is the growth in brand livestreams, which has increased market share compared to KOL hosted livestreams from just 30.5% in 2019 to over 51% in 2023. Brand livestreams can be defined as livestreams where the host is a brand employee and representative, acting as a direct salesperson for the brand.

The style of content that is most popular across e-commerce livestreams has also seen major changes, moving towards livestreams that offer more detailed product information during the sales process. Livestreams play a pivotal role in providing comprehensive introductions to products, including specific details, product origin or sourcing of ingredients and materials, target audiences, and usage scenarios.

Growth in Viewership of China's Livestreaming E-commerce Industry

(In 100 million views)



Purchase Conversion Rate (%)

3.7%	4.2%	4.8%
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78.1% of consumers are interested in product introductions and gaining more information about products through livestreams

Source: iResearch 2024

Cross-border E-commerce

Tmall Global

Similar to its domestic counterpart, Tmall Global is currently the largest platform for cross-border e-commerce and is one of the top choices for facilitating the entry of foreign brands into the Chinese market.

Entry Requirements

Tmall Global Merchant Acceptance Standards :

https://rule.tmall.hk/rule/rule_detail.htm?spm=0.0.0.0.xRf3mu&id=11003210&tag=self

Entry fees

Deposit Fees

- ◆ Brand Flagship Store: If the applying brand has a successfully registered trademark (R), the base security deposit is 50,000 RMB. If the applying brand has a trademark that has not yet been successfully registered (TM), the security deposit is 100,000 RMB.
- ◆ Specialized Store: For the home and personal care industries, the base security deposit is 50,000 RMB; for other industries, the base security deposit ranges from 100,000 to 300,000 RMB.
- ◆ Brand Specialty Store: The base security deposit is the same as for the Brand Flagship Store.

Please see the official Tmall Global deposit policies for merchants. https://rule.tmall.hk/rule/rule_detail?spm=a2o8rj.import_rules_portal.0.0.23196f0c1suS2v&id=8942&tbpm=2

Annual technical fees

The annual fee is divided into two tiers, 30,000 RMB and 60,000 RMB.

Merchants operating on Tmall Global are required to pay an annual service fee. The amount is based on the primary category of products sold by the store. Specific standards can be found on the Tmall Global 2023 Annual Category Fees and Technology Service Fee Rates:

https://rule.tmall.hk/rule/rule_detail?spm=a2o8rj.import_rules_portal.0.0.12266f0c5Tuslw&id=11005909

Commission fees

Generally, the commission rates that merchants need to pay to the platform are concentrated between the two tiers: 2% and 5%. However, in some categories the commission rate can drop to 0.5%.

Merchants operating on Tmall Global are required to pay a technology service fee, which is a certain percentage of their sales volume (referred to as the "fee rate"). The specific standards for the technology service fee rates for various categories on Tmall Global can be found in the Tmall Global 2023 Annual Category Fees and Technology Service Fee Rates.

https://rule.tmall.hk/rule/rule_detail?spm=a2o8rj.import_rules_portal.0.0.12266f0c5Tuslw&id=11005909

Entry process

- ◆ Store Application: During the application process, merchants must choose their store type, brands, and categories, provide brand and corporate details, and name their store. With proper documentation and preparation, this stage typically takes around 2 hours to complete.
- ◆ Review Period: Tmall's official team will assess the brand and qualifications based on the provided entry information, a process that usually takes 7 working days.
- ◆ Store Preparation: Upon approval, the merchant can proceed to finalizing the store information. This entails activating the merchant account, logging in, signing agreements, securing necessary deposits, and arranging logistics services with Cainiao, Alibaba's logistics branch. These tasks can usually be accomplished within a single day.
- ◆ Official Store Launch: Merchants can now list products and customize their store. Upon payment of the annual fee, the store can go live, signaling the successful launch of the store onto the Tmall Global marketplace.

JD Worldwide

The entry fees for JD Worldwide are calculated in US dollars and include a deposit, platform usage fee (annual fee), and technical service fee (commission).

Deposit fees

In certain categories, JD has introduced a multi-tiered deposit system to replace the single deposit model. Under this system, merchants are required to pay only the initial deposit upon joining. Throughout operations, additional deposits are contingent upon the transaction volumes within third-level categories.

The initial deposit typically varies between US\$2,000 and US\$40,000, with certain categories, such as medical products, having a higher initial deposit. Conversely, some categories, like fresh products, may have an initial deposit of as low as US\$2,000.

Annual fees

The platform will charge an annual platform usage fee of 0.9% on all transactions conducted by merchants.

Commission fees

The commission fees typically range from 2% to 6%. Some specific categories may incur an additional 1%, 1.5%, or 2% rebate framework fee.

Please see below websites for additional details:

<https://rule.jd.com/rule/ruleDetail.action?ruleId=610757548240408576&btype=8>

<https://jdw-rule.jd.hk/detail?ruleId=950302479235551232>

<https://jdw-rule.jd.hk/detail?ruleId=950583665543483392>

Douyin Global

Entry Requirements

- ◆ It is necessary to have a registered company entity overseas or in the regions of Hong Kong, Macau, or Taiwan, with qualifications for overseas retail or trade. Additionally, an onshore agent, such as a Mainland China entity with joint liability, is required.
- ◆ It is also necessary to have a corporate bank account in Mainland China or in the regions of Hong Kong, Macau, or Taiwan.
- ◆ Priority will be given to recruiting well-known brands, including brand owners, brand agents, renowned retailers, and brands that have not yet entered the Chinese market. Preference will be given to e-commerce teams with experience in cross-border e-commerce operations.

Entry fees

Deposit Fees

Based on the store type and category, the deposit fee can vary from 50,000 RMB – 300,000 RMB.

Please see the website for more details: <https://school.jinritemai.com/doudian/web/article/107821>

Annual fees

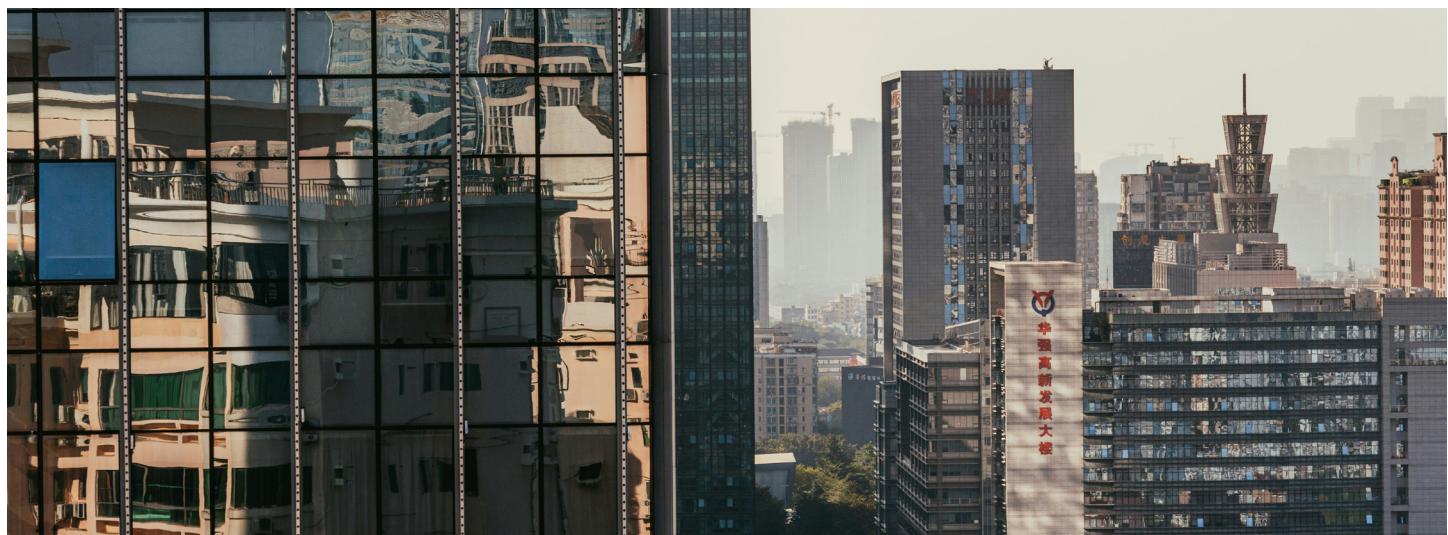
At present, no annual fees are required.

Technical service fees

The platform technology service fee is charged based on the total amount paid by the consumer, inclusive of shipping costs and any additional coupons or discounts. This fee will be deducted directly from the merchant's payment amount. All types of orders, including advertising orders and regular orders, are charged according to the fee rates for each category.

Please see the link below for more details:

https://school.jinritemai.com/doudian/web/article/aHMYyFoqESKn?from=shop_article&btm_ppre=a0.b0.c0.d0&btm_pre=a4977.b5856.c0.d0&btm_show_id=34e72979-1b90-4470-9aee-26d69abcf022



New Retail - Eleme & Meituan

Within the broader concept of New Retail, the rise of instant retail has emerged as a significant trend in China, meeting consumers' growing desire for immediacy and convenience. Instant retail allows consumers to place orders via online platforms, with physical retailers then delivering the products to the purchaser's doorstep within a short time frame, typically spanning 30 to 60 minutes.

Consumer Adoption and Preferences

A survey indicated that more than 64% of respondents possessed a solid understanding of instant retail, and nearly 78% expressed high satisfaction with its promptness and convenience. Notably, younger consumers, particularly Generation Z, exhibit a strong inclination towards instant retail, with over 82% willing to pay a premium for its efficient and convenient model of consumption.

Product Categories and Consumption Patterns

Although initially focused on meal delivery, instant retail has expanded to include a wide array of products, ranging from daily goods such as fresh produce, snacks, beverages, and personal care items, to pharmaceutical items and clothing.

Platform Dynamics and Market Leaders

Several key platforms have emerged as leaders in the instant retail space:

- ◆ Meituan Waimai: With its large user base and wide range of product offerings, Meituan Waimai stands out as a favored platform for instant retail, providing a seamless shopping journey combined with prompt delivery.
- ◆ JD Daojia: Supported by JD's e-commerce infrastructure, JD Daojia has established a strong presence among chain supermarkets and within the electronics categories, providing efficient order fulfillment and delivery.
- ◆ Hema Fresh: Originating from the new retail concept, Hema Fresh offers an all-in-one new retail experience, showcasing the instant retail model within its diverse operational framework.
- ◆ Eleme: Eleme, translating to "are you hungry" in English, began as a takeout food delivery platform, but has since expanded to offer a wide variety of products. The platform collaborates with merchants to provide 24/7 retail services, focusing on fast delivery and a streamlined purchasing experience.



Community Group Buying

Community group buying is a new type of e-commerce model centered around communities, where consumers place orders through group leaders (usually community-based small shops) via e-commerce apps or mini-programs. The buyers then pick up their orders from the group leader's location at a set time the next day.

The highest proportion of products purchased through group buying includes packaged food and beverages, along with fast-moving consumer goods (FMCG) and fresh produce. These categories are advantageous for attracting traffic and increasing user stickiness. Department store products are used to increase the average order value and profit margin but currently represent a smaller proportion. Meituan, Pinduoduo, and Hema mainly focus on food, beverage, and FMCG, with food and beverage having a higher proportion than fresh produce. Xingsheng's proportion of non-standard items such as department store and home textiles are significantly higher.

Main Group Purchasing Platforms

Platform	Xingshengyouxuan	Meituanyouxuan	Duoduomaicai	Hemajishi
Features	Consumers order online, next-day community store pickup can achieve profitability at low average order values, covering cities and counties nationwide.			
Established time	2017	Jul 2020	Aug 2020	Sep 2020
Number of regions covered	129 cities	310 cities	258 cities	Hubei, Shanxi, Sichuan
SKU	600	350	300	500
Category	40% fresh food, 25% packaged food and beverages, 35% clothes and technical products	30% fresh food, 50% packaged food and beverages	40% fresh food, 50% packaged food and beverages	42% fresh food, 45% packaged food and beverages

Consumer to Consumer (Taobao)

As one of the largest online retail shopping websites in Asia, Taobao operates on a C2C system (consumer-to-consumer), helping to facilitate the transaction of products and services between consumers. To leverage the advantage of its large userbase, Taobao features both Tmall and Tmall Global stores, which can all be found through using the Taobao platform.

Establishing a storefront on these platforms is practically cost-free, and as a result, is dominated by many small retailers.

It is important to note that C2C platforms commonly have a large grey channel such as parallel imports. These platforms are useful to help brands measure demand for their goods prior to entry.

TP Partner Selection

Due to the nature of China's e-commerce industry, many professional third-party service providers have emerged. A TP is a third-party service provider with China-based operations that provides brands with e-commerce solutions, helping brands to sell on e-commerce platforms and to manage daily operations of the online store.

The name TP refers to "Tmall Partner", although some TPs offer services across multiple e-commerce platforms.

There are many well-established TP agencies in China that have the expertise and skill set to successfully serve brands on multiple e-commerce platforms. Often these TPs will be the first to advise a brand on which platforms to work with upon initial consultation.

Some things to consider regarding TPs:

- Ensure they understand your category
- Understand their pricing model, including commission and service fee
- Check if they are platform accredited
- Ask to see current stores they are running

Before approaching China's e-commerce market, Canadian brands must develop a strategic and detailed execution plan for success. The following are some key questions that should be considered:

- Will the platform likely accept my brand?
- Which platform is the best option for me, and how can I reach them?
- What are the requirements and documents needed to sell on the platform?
- How can I manage logistics and customer service with my current knowledge and workforce?
- Is it feasible to manage the store in-house, or is my brand more suited to engaging with a TP?

TPs provide solutions to all the above questions, and due to experience and knowledge of the market, are in an authoritative position to provide strategic and effective advice.



Why Partner with a TP?

The following are reasons why a foreign brand should consider partnering with a TP:

- ◆ TPs possess knowledge of the Chinese e-commerce market and Chinese consumers. However, be cautious as it is in the self-interest of TPs to promote certain platforms.
- ◆ Selling products online in a country to customers with different culture and purchasing behaviour is a challenge even to brands well-known in their home country. Aspects such as product display, sales promotions, digital marketing and regulations must be carefully managed.
- ◆ TPs will provide suggestions on e-commerce operations, spend and other related areas to fit the local customers' need .
- ◆ TPs have experience working with major e-commerce platforms, and the relationship between them can be vital in China. Getting access to major e-commerce platforms is only the tip of the iceberg. The real challenge is closing communication gaps and fostering healthy relationships with these platforms.
- ◆ TPs are also responsible for managing logistics, customer services and execution, thus saving brands time and effort on the operational aspects of e-commerce.

It is feasible for some foreign brands to plan, manage and put everything into practice in-house. However, it takes an enormous investment of human resources, e-commerce expertise and experience.

Every platform has its own rules in terms of managing storefronts and how brands are communicated on the platform. TPs have experience working with multiple platforms, understand specific platform requirements and are therefore suitably qualified to communicate with the platforms to significantly reduce language barriers and misunderstandings.

What Do TPs Do?

The service scope of different TPs varies in terms of platforms and specific solutions. Not all TPs can provide a total solution on all major platforms.

Store Launching and Operation

- ◆ Account Registration
- ◆ Store Visual Design (Store Layout, Product Display, Promotional Material)
- ◆ Traffic Management
- ◆ Data Analysis and Reporting

Marketing Management

- ◆ Strategy and Planning
- ◆ In-app Promotional Tool Spend
- ◆ Campaign Management
- ◆ Content Marketing
- ◆ External Digital Marketing
- ◆ CRM and Loyalty Program

Merchandise Management

- ◆ Product Photography
- ◆ Product Listing
- ◆ Pricing
- ◆ Inventory

Logistics and Warehousing

- ◆ Warehousing Solutions
- ◆ Commodity Delivery and Returns
- ◆ Customs Clearance

Customer Services

- ◆ Real-time Customer Service (Both pre-purchase and after sales)
- ◆ Order fulfillment
- ◆ Complaint Management

Modes of Cooperation

TPs can be costly, so it is important for Canadian brands to understand how the service is priced and how much certain services cost. Below are potential pricing models:

- ◆ Fixed monthly service fee
- ◆ Commission based on sales
- ◆ Inclusion of distribution

Within each pricing model, the final budget will vary in terms of the scale of the TP and its service scope. Well-known and expensive TPs who already work with large brands may not guarantee success for smaller brands, as they may prioritize their larger clients. Brands in need of a TP should look for suitable partners that are cost-effective and have experience in working with brands in similar categories and at similar stages of market entry.

Questions that brands should consider when selecting a TP

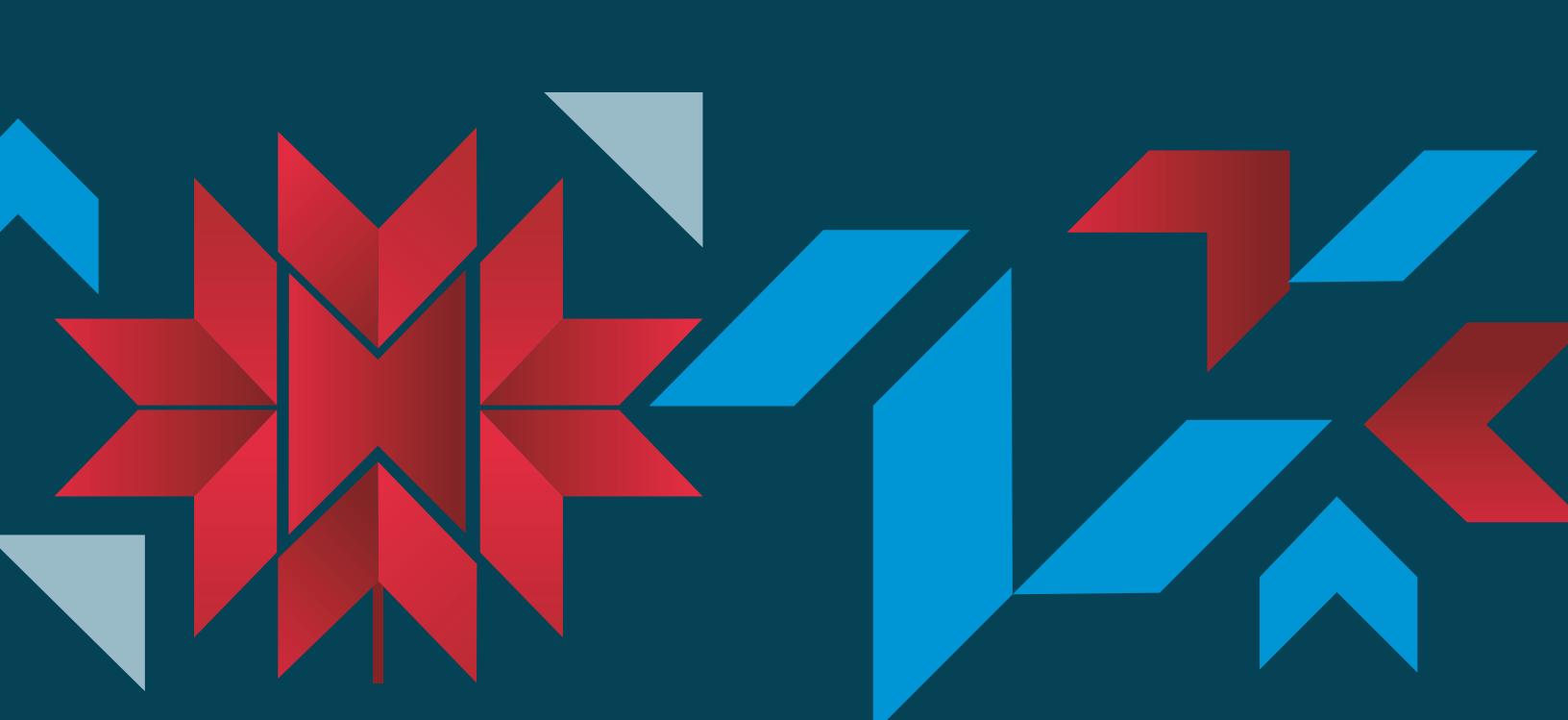
- ◆ Can they provide services on all the platforms that you wish to sell on?
- ◆ Can they help with everything your specific brand needs?
- ◆ Does this TP have a good track record within your category?

In general, a brand should be clear about the services it requires and choose a TP that has expertise in covering those areas. It is important to know that although different TPs claim to offer a range of services, many of them may only be experienced in limited fields instead of an expert that can meet all expectations.

There are several aspects a brand can investigate when evaluating a TP:

- ◆ Whether the TP has qualifications operating within a particular product category.
- ◆ Whether the structure of your TP is visible and transparent, such as company background, operational team division and staff mobility.
- ◆ Number of storefronts, related case studies and word-of-mouth reputation in the TP industry.
- ◆ Whether communication with the TP is efficient and the cooperation process is professional.

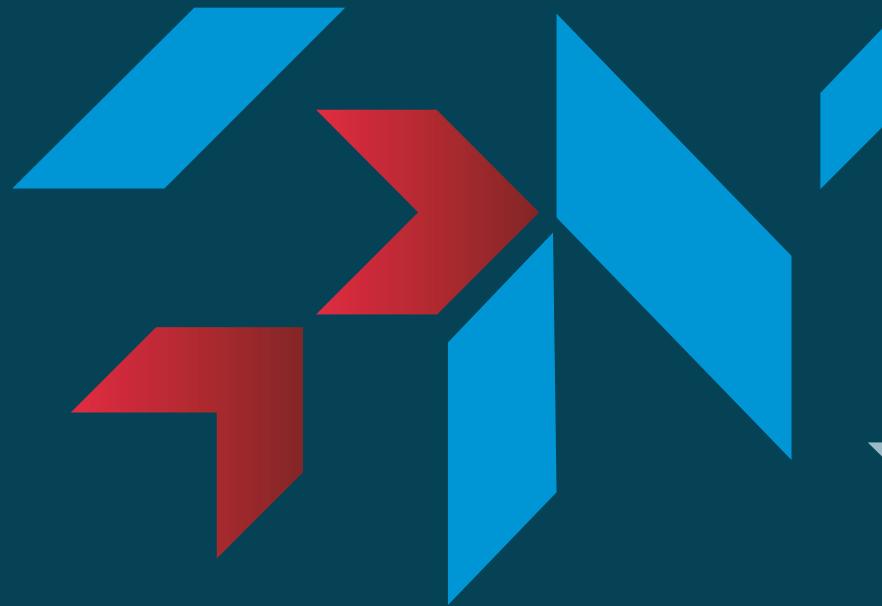




Logistics

General Trade Logistics

Cross-Border E-commerce Logistics



General Trade Logistics

In the context of exporting goods from Canada to China through general trade, a local entity such as an importer, distributor, or trade partner is required to clear goods through Chinese customs and quarantine where applicable. It is worth emphasizing that duties and taxes concerning the cost, freight, and insurance must be settled beforehand for the goods to be released from storage.

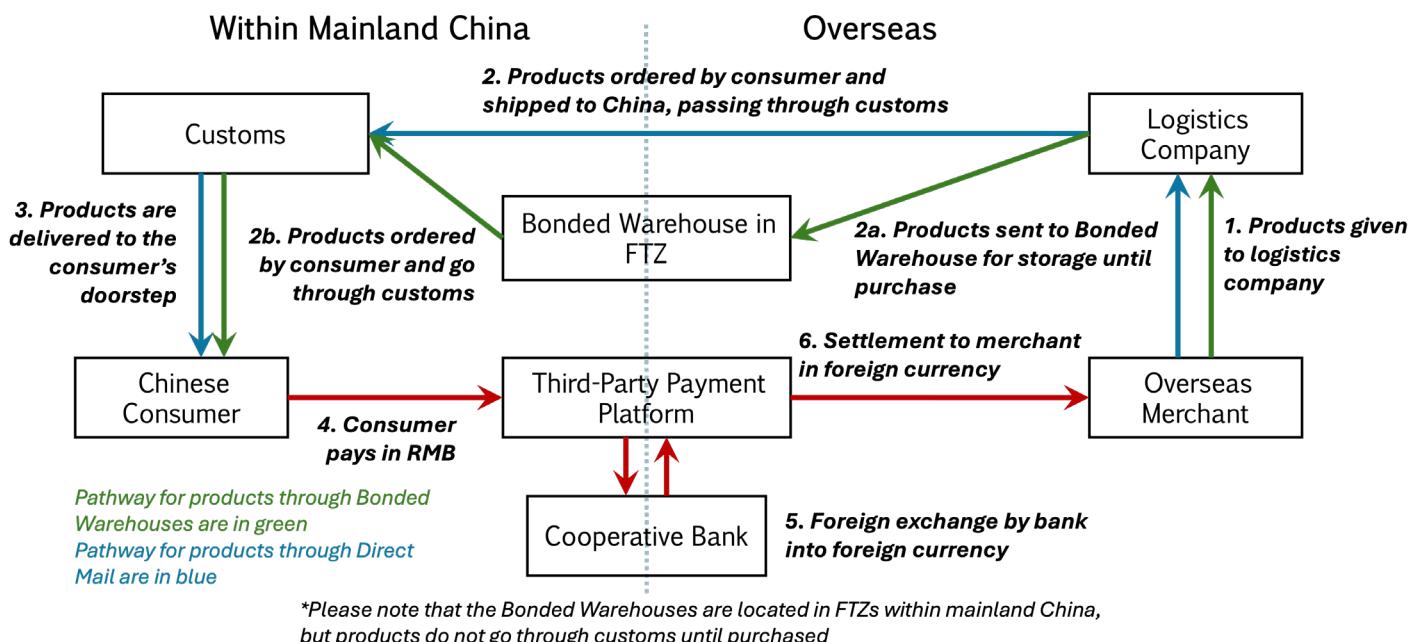
In China, the distribution of most imported products, particularly those sold online, is typically overseen by local distributors, who are experienced with handling customs procedures, quarantine protocols, storage requirements, efficient distribution, and managing e-commerce platforms.

Additional considerations regarding general trade logistics include:

- ◆ Certain categories of goods, such as fresh and perishable food items, are subject to restrictions and can only be imported by licensed entities
- ◆ All products must undergo proper registration before they can be sold, whether offline or through domestic e-commerce channels such as Tmall or JD.com
- ◆ Canadian brands should prioritize partnering with reputable and dependable local entities
- ◆ Investing time and resources to understand the regulatory framework relevant to their product category and the intricacies of the supply chain is advised

Cross-Border E-commerce Logistics

Payment and Product Flow for CBEC



Source: RedFern Digital Analysis

Bonded Warehouse Model

For the Bonded Warehouse model, products are shipped in bulk and stored in bonded warehouses within the free trade zones in China.

- ◆ Under this model, imported products undergo initial registration with China customs and are then transported to a bonded warehouse in bulk for storage until purchased
- ◆ The warehouse receives and catalogs the products, linking them with their respective SKUs on the backend of the cross-border e-commerce store
- ◆ Upon customer order placement, the product undergoes customs declaration and is subsequently dispatched from the warehouse to the customer using a logistics solution

Key Details:

- ◆ Delivery time frame: Approximately 2.5-5 days from order
- ◆ Logistics: International providers will first transport goods to the Chinese warehouse. Domestic providers will then deliver the products directly to consumers
- ◆ Labelling requirements: An electronic label on the cross-border marketplace site or a physical label on the product (unless it is specified that the products within certain categories must be otherwise labeled)
- ◆ Flow of goods: Goods are sent from the overseas producer to the Chinese warehouse, where they are stored in bulk and then sent to consumers upon order

Direct Mail Model

For the Direct Mail model, a customer places an order on a registered cross-border e-commerce platform.

- ◆ Through this model, before products can be sold in China, they need to be registered with China customs and listed on the online CBEC platforms
- ◆ Prior to purchase, the products are housed either in the brand's own warehouses in their country of origin, or at a fulfillment center managed by the CBEC logistics solution provider
- ◆ When a purchase is made, the transaction, shipment, and payment details are provided to customs, after which the CBEC tax will be settled before the products are dispatched from the overseas warehouse
- ◆ International logistics services need to be used to ship the products into China, then once inside the country, the products will be delivered to customers through domestic logistics networks

Key Details:

- ◆ Delivery time frame: 7-30 days from order
- ◆ Logistics: International providers arrange delivery from the source country directly to the consumer in China
- ◆ Labelling requirements: An electronic label on the cross-border marketplace site or a physical label on the product (unless it is specified that the products within certain categories must be otherwise labeled)
- ◆ Flow of goods: Individual packages are sent from the overseas producer directly to consumers in China



Major Players

Local Integrated Logistics Players

The leading players in local integrated logistics are SF Express, JD Logistics, CNPL, STO Express, YUNDA Express, YTO, and ZTO.

In 2023, ZTO Express completed 30.20 billion deliveries, which was a 23.8% increase compared to the previous year. This achievement solidified its leading position in the market as the top-ranked provider in terms of volume delivered, capturing a notable 22.9% share. Meanwhile, YTO Express closely followed, handling 21.203 billion deliveries, which was a 21.3% growth from the previous year, securing its second-place position. Yunda Holding claimed the third spot with a total of 11.899 billion deliveries handled and saw a 6.8% YOY increase in volume.

Player Profiles

Companies	Company Introduction	Year of Establishment	2023 Business Volume (Billion Pcs)	YOY Growth Rate
ZTO	China's leading express delivery company provides express services and other value-added logistics services through its nationwide network.	April 2015	302	23.8%
YUNDA	A leading comprehensive express service provider, it possesses an advantage in implementing integrated digital management and control throughout the entire network and supply chain.	April 1996	189	7%
SF	The largest logistics service provider in China and Asia, and the fourth largest globally.	May 2003	119	6.8%
STO	The primary business currently consists of express delivery services, which are categorized into three main types: express delivery services, value-added services, and express packaging materials.	November 2001	175	35.2%
JD Logistics	Focuses on 6 major industries: FMCG, clothing, home appliances, furniture, 3C, automotive, fresh produce.	January 2012	-	-
YTO	A comprehensive express logistics operator	December 1992	212	21.3%



Cold-chain Logistics

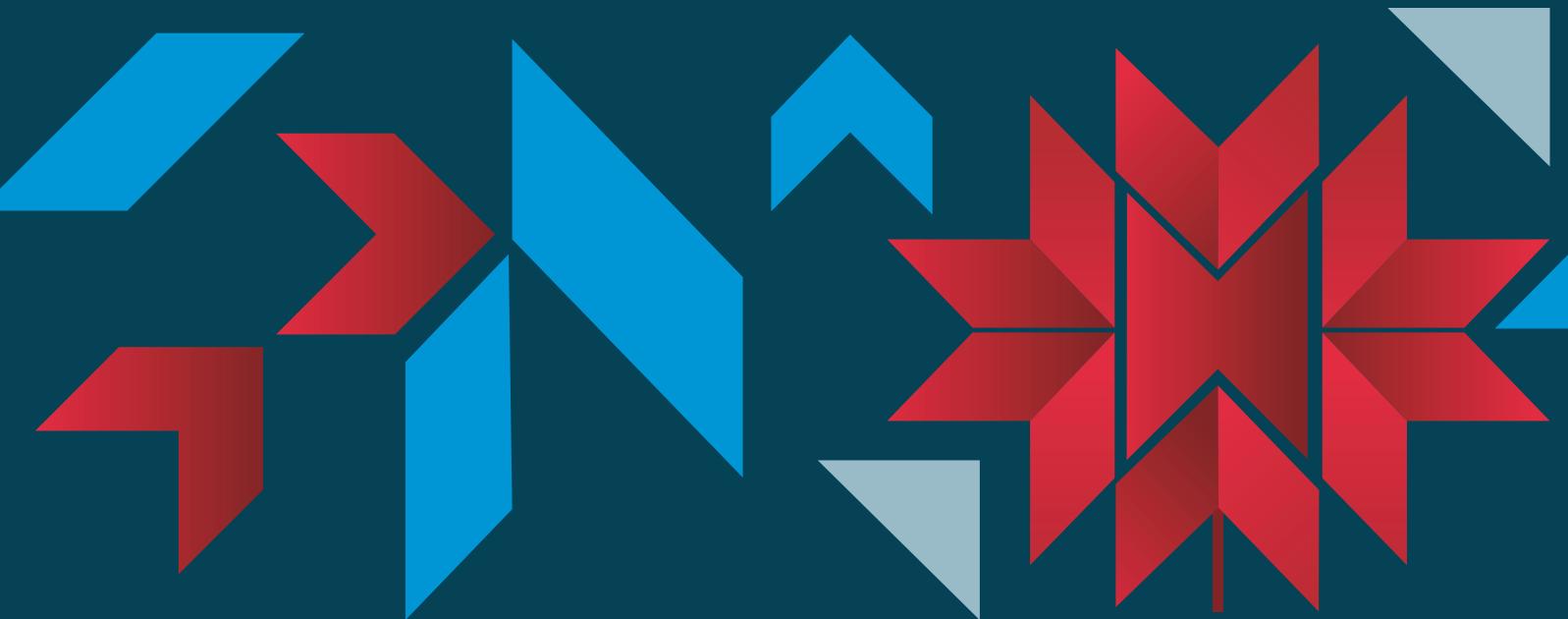
In recent years, China's cold chain logistics industry has made remarkable strides, driven by significant government support. Once considered a lagging sector, cold chain logistics has now emerged as a robust and promising domain within the broader logistics landscape.

With a market value approaching 400 billion RMB, the cold chain logistics service sector appears expansive, yet remains fragmented. Integrated providers now offer a diverse range of services, covering cold chain transportation, low-temperature warehousing, urban distribution, and more. Notably, cold storage warehousing services play a vital role in their comprehensive offerings. Leading players in third-party cold chain logistics services include SF Cold Chain, JD Logistics, Rongqing Logistics, and Sinotrans.

Examples of Top Players in Cold-Chain in China

Company	Type
SF Express	E-commerce
JD Logistics	E-commerce
Rongqing Logistics	Comprehensive
Zhengming Logistics	Comprehensive
Guangminglingxian	Comprehensive
Shuanghui Logistics	Transportation
Sinotrans	Comprehensive





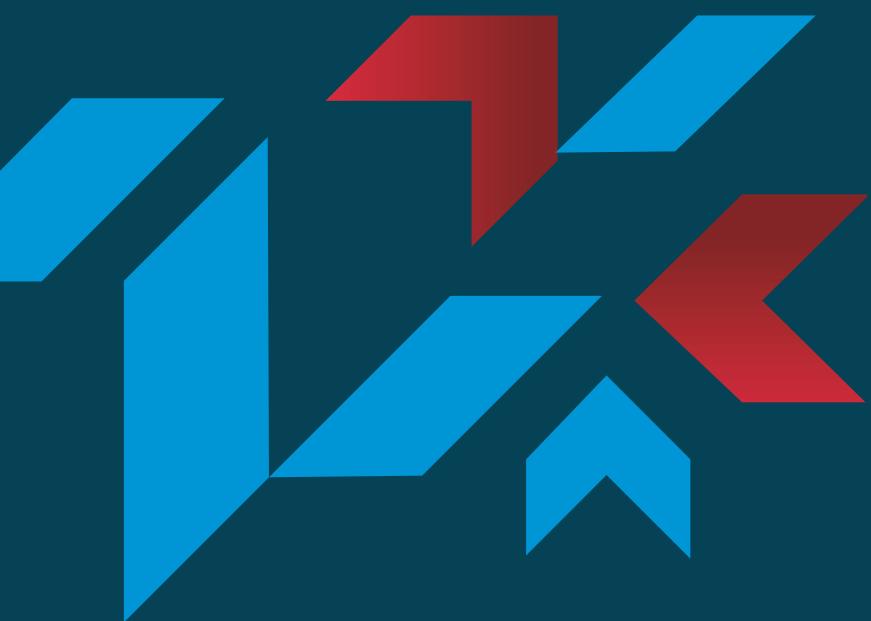
Payments

How does Payment work?

Payment Providers

General Trade: Receiving Payment

Cross Border E-Commerce: Receiving Payment



How does Payment work?

When it comes to online payments systems in China, Alipay and WeChat Pay dominate the market.

In Q3 of 2023, Alipay and WeChat Pay had transaction volumes of 118.19 trillion RMB and 67.81 trillion RMB, respectively. Combined, they account for over 94% of the market share in terms of transaction volume.

Payment Providers

Alipay – Owned by Alibaba

Launched in 2004 as an affiliate of Alibaba Group, Alipay boasts the largest market share, with over 870 million users. Alipay facilitates transactions with both Visa and MasterCard, accommodating a variety of major foreign currencies.

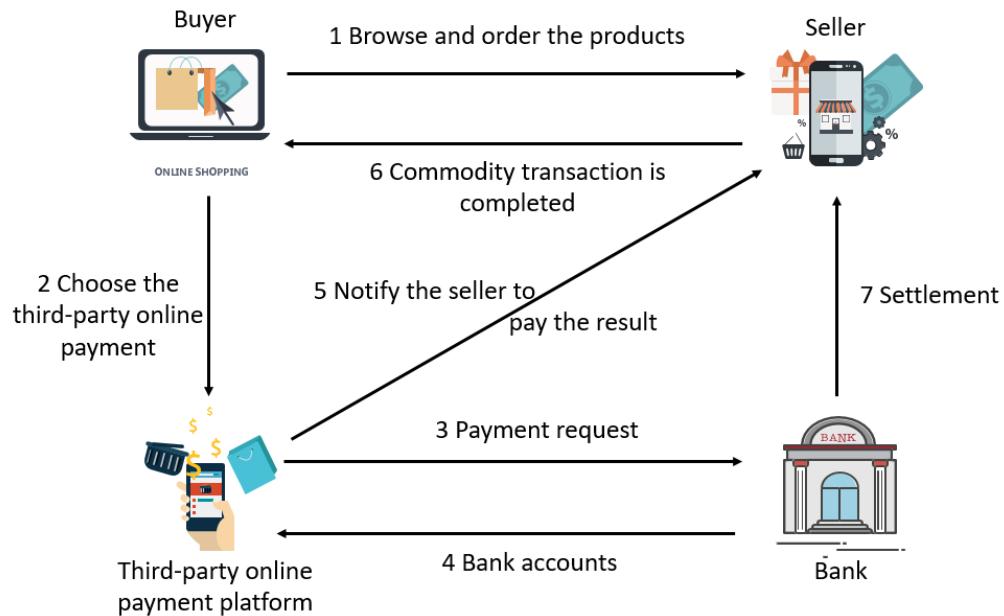
WeChat Pay – Owned by Tencent

Integrated within the WeChat platform, WeChat Pay stands as a major player in China's mobile payment systems. Offering QR code payments, in-app web-based payments, and in-app vendor payments for those who have incorporated WeChat Pay.



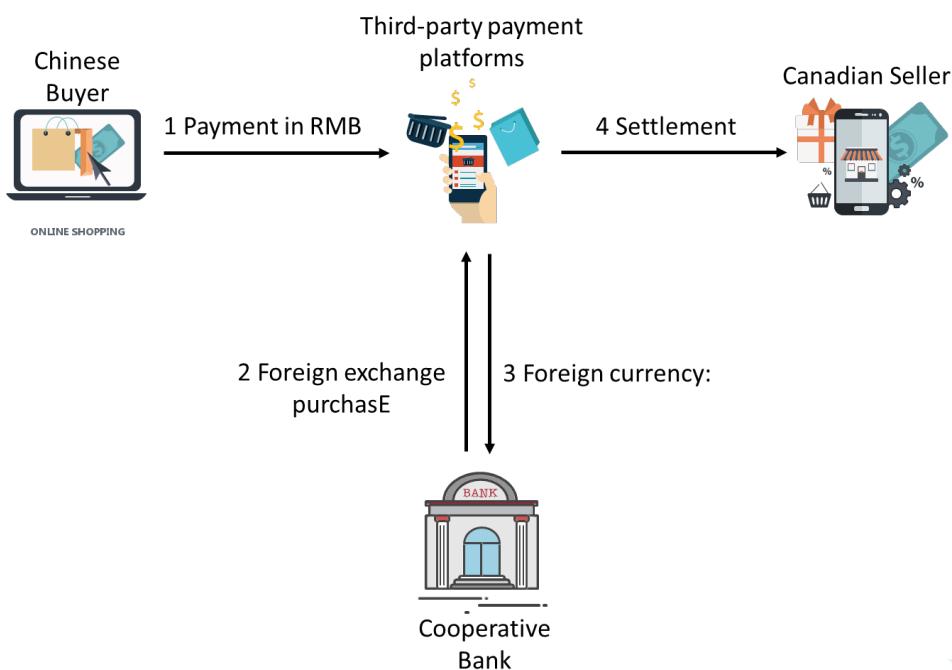
General Trade: Receiving Payment

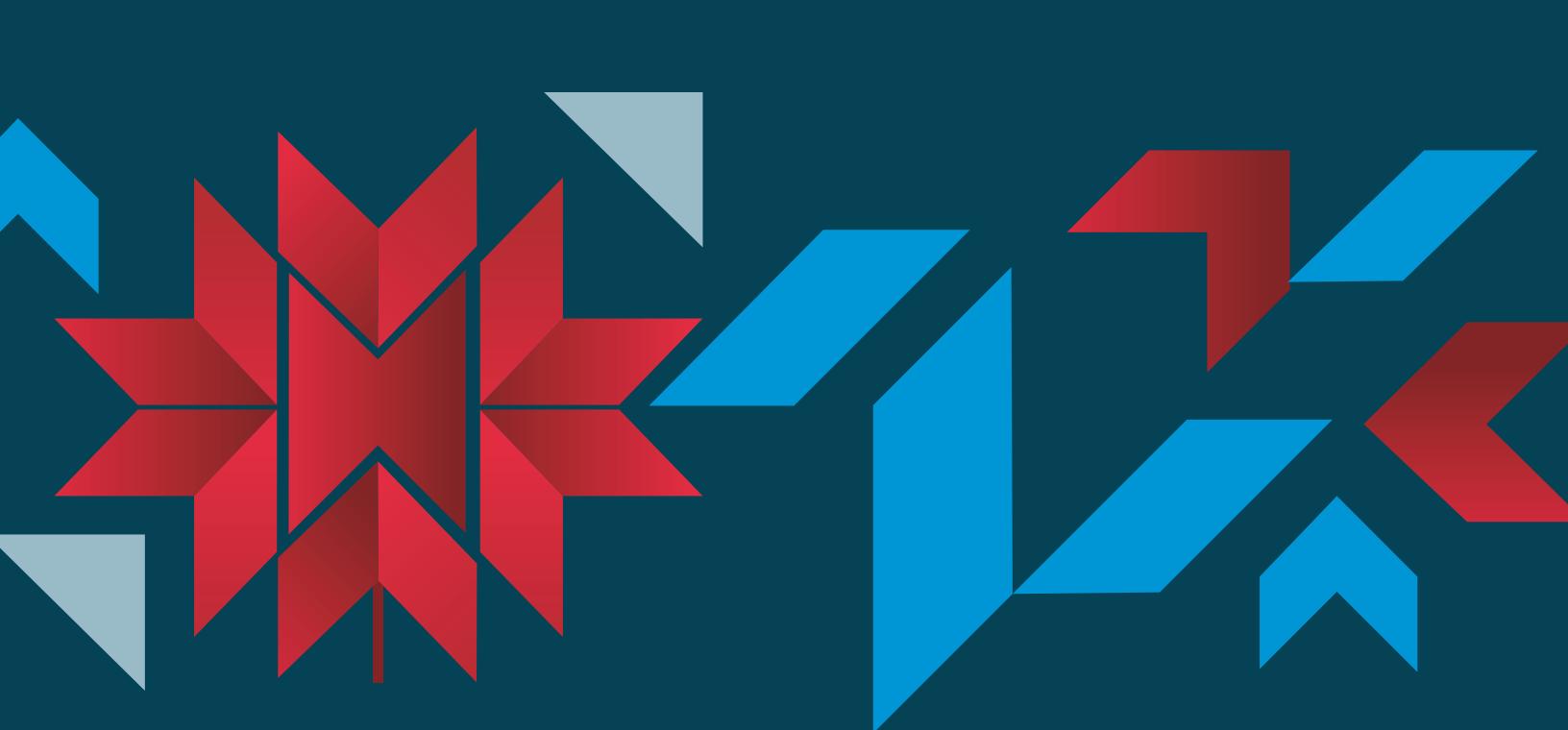
Entities with legal standing in China have access to various payment options, including online platforms like Alipay and WeChat Pay. Additionally, credit cards and other payment methods are readily available.



Cross Border E-Commerce: Receiving Payment

Several payment avenues exist to facilitate payments for companies involved in cross-border e-commerce endeavors. These avenues include online payment platforms like Alipay and WeChat Pay, alongside credit cards and alternative payment methods.





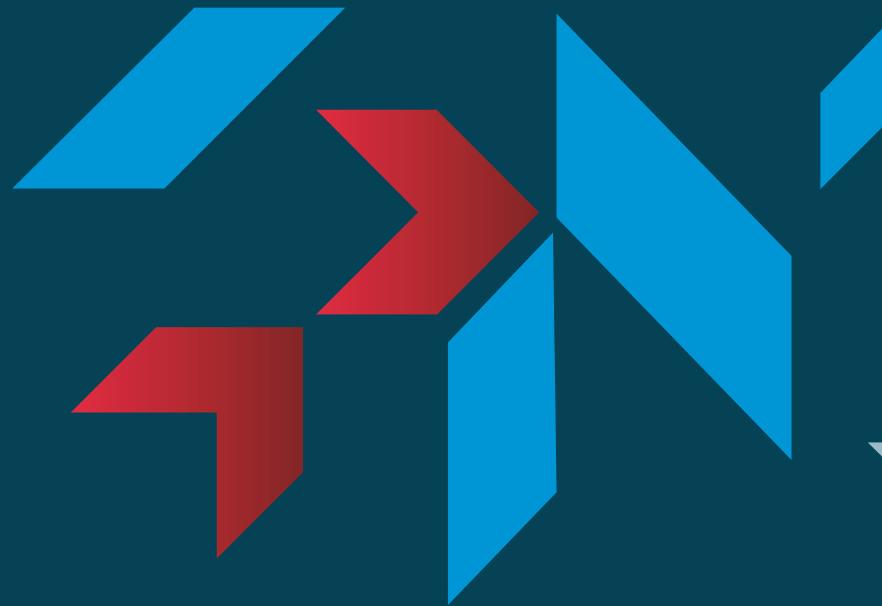
Intellectual Property Management

Protecting your IP in China

Trademarks

Identifying IP Infringements Online

Managing IP Infringements & Take-down Systems



Protecting your IP in China

Any company looking to establish an online presence in China should take steps to protect its intellectual property (IP) as early as possible. It is crucial that companies understand the importance of formally registering their IP with the appropriate authorities. This will help protect them and act as a strong foundation against future cases of third-party infringement. Companies that do not register their IP have no recourse when dealing with encroachment.

Trademarks

China employs a “first-to-file” system for trademark registration and offers no protection to unregistered trademarks. This is different from the North American system, by which a company gains common law rights by virtue of using a brand in commerce.

In China, it is possible for a third party to register “your” trademark and prevent you from using it without selling a single product itself. Such trademark squatting is common, and when it occurs the options are to pay a licensing fee to the trademark squatter, buy the trademark outright, prove that the trademark was registered in bad faith, prove the squatter has not used the trademark recently or simply change your trademark. China has made steps to improve the situation, but there is still a long road ahead.

The cost of registering a trademark in China is relatively low, but it can become a costly expense down the line if another company has registered it first. If a brand is considering China market entry at some stage, it should look to register the necessary trademark.

Serious consideration should be given to trademarking any distinctive phrases or logos used on products or packaging. Additionally, it is important to register both English-language trademarks and Chinese-language trademarks, along with any potential future trademarks.

Identifying IP Infringements Online

There is a wide range of intellectual property right violations in China. The most common violations are an infringement of copyrights, trademarks, patents and design, as well as domain names and website styles/design.

It is not uncommon for companies – mostly large multinationals – to adopt ongoing measures to search the internet for violations such as:

- ◆ Website domain/URL squatting
- ◆ Unauthorized/grey channel sales
- ◆ Selling lookalikes/counterfeit products

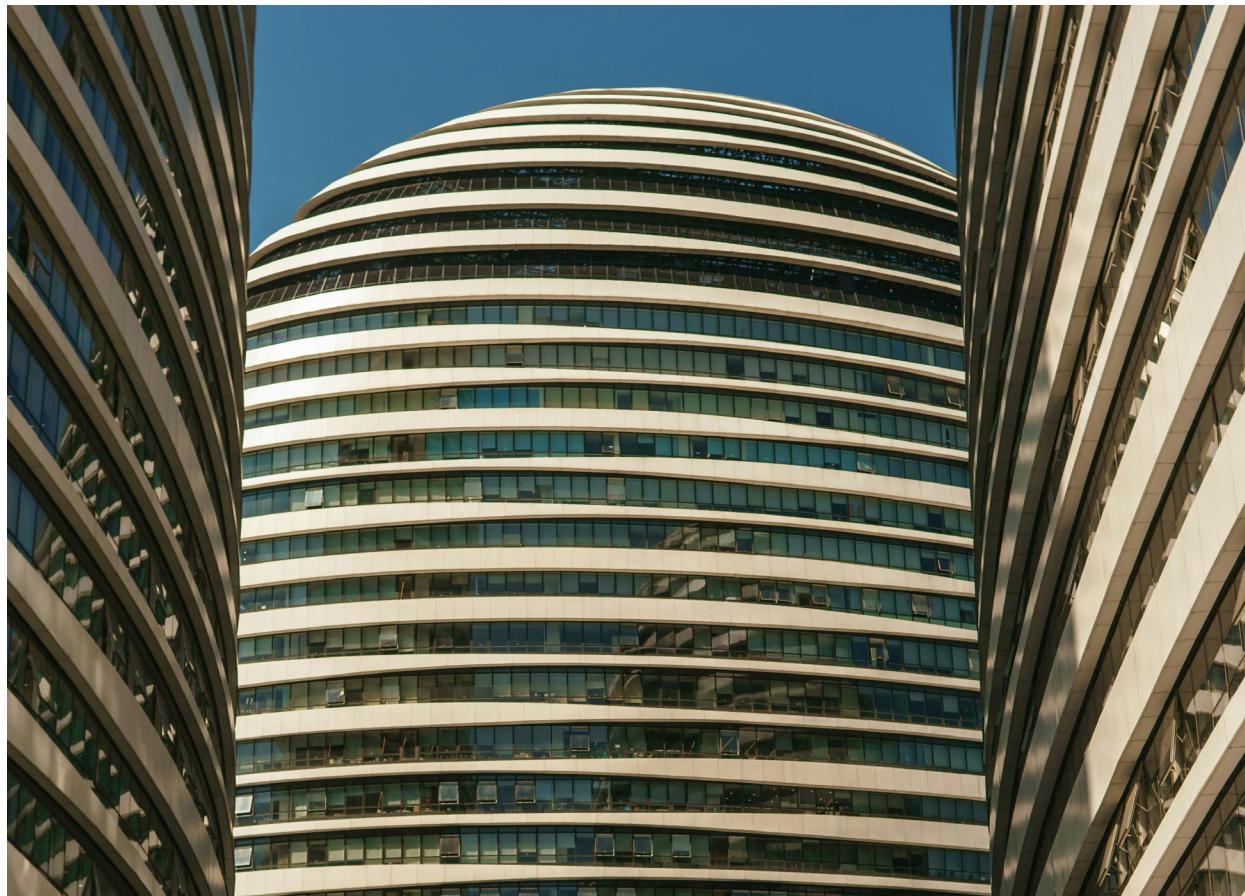
To first measure the extent of your IP problem, a simple brand search in both English and Chinese on Taobao will provide you with a good indication. The scope of the infringement will then determine how much action needs to be taken.

Counterfeit products are not always named identically to the brand name, so it is essential to check for variations in both Chinese and English.

Make sure to also search from a category perspective so that other forms of infringement such as patent designs can be identified.

Online infringement is often assumed to be the sale of counterfeit goods, but this is not always the case. Many brand owners do not realize the extent to which other brands are selling similar products and referencing them as their own brands in descriptions. Other types of infringements include:

- ◆ Improper use of keywords search
- ◆ Using the brand's name in the listing description
- ◆ Using the brand's logo in the listing description



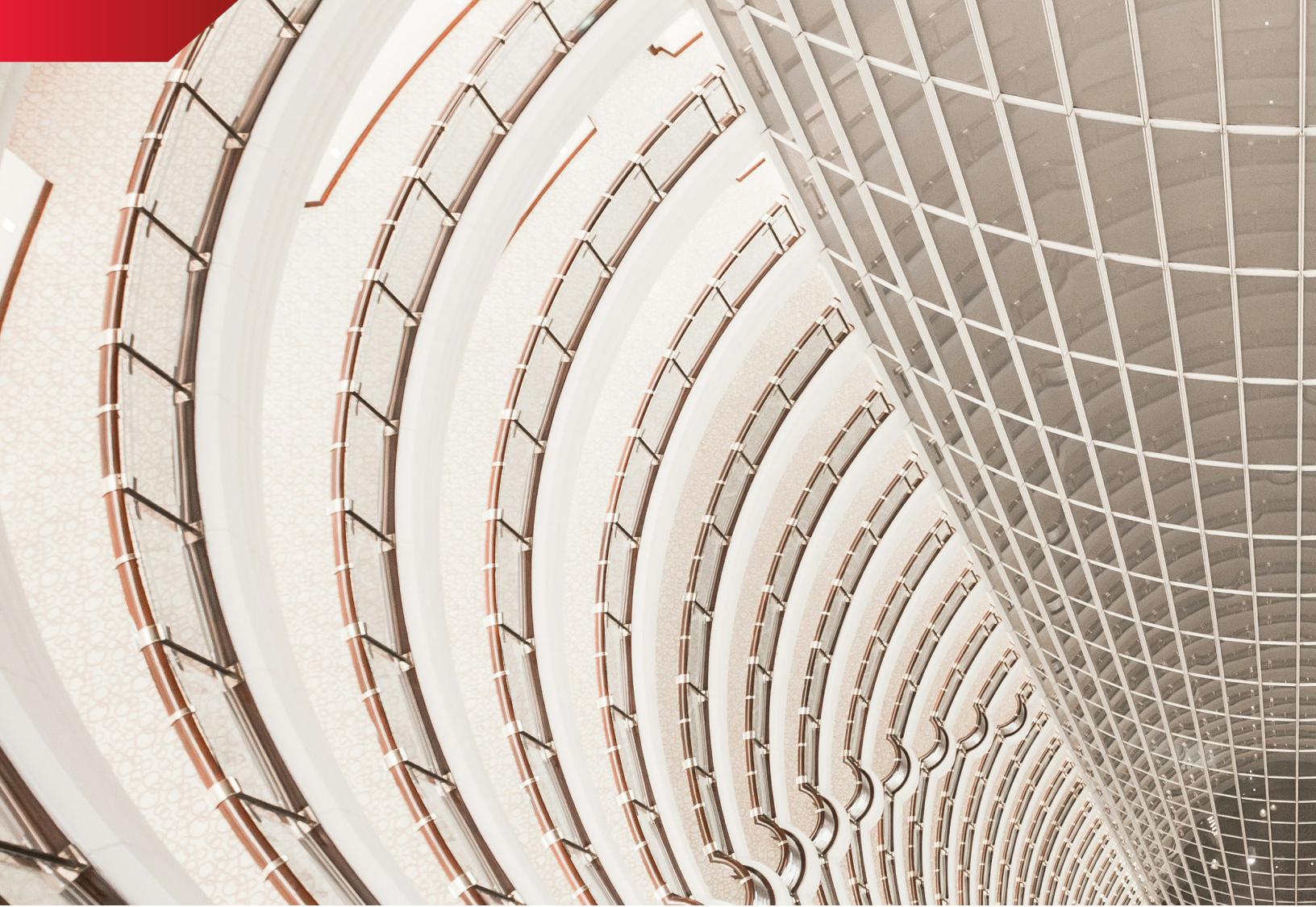
Managing IP Infringements & Take-down Systems

Price

Price is one of the clearest indications that a particular product is a counterfeit. If a product is below the lowest global retail price, then it can be said with some degree of certainty that it is a counterfeit. Pricing differences between the lowest global retail price and China's retail price is often the result of parallel importing, and anything above can usually be deemed genuine.

Due to global differentials in price, particularly in China, parallel imports are common online. Assessing the sales volume of a listing can help you determine whether the product is a counterfeit or being sold second-hand.





Keywords

Keywords from the comments section of the product page are another indication that the product is counterfeit or is of poor quality. Comments can also be useful in distinguishing whether the product is lower in price because of parallel imports, reselling or because it is counterfeit. In these situations, the consumers will often have the best perspective, and their reviews may help with clarification.

Image

Images are much harder to use for counterfeit identification given that the vendor may often use genuine images even if the products they are selling are counterfeit. There are some service providers that now claim they use image recognition technology to locate fakes across the web.

However, they are often ineffective as many fake products may be sold under genuine images.

The Take-down System

Alibaba and JD have similar systems for IP Infringement reporting and takedown.

With Alibaba and JD, IP holders can use the IP Protection Platform to act against IP infringement and report the listings. The system can be found at <https://ipp.alibabagroup.com/> and is free of charge. The website also has an English language option.



The necessary documents for takedowns through this system include:

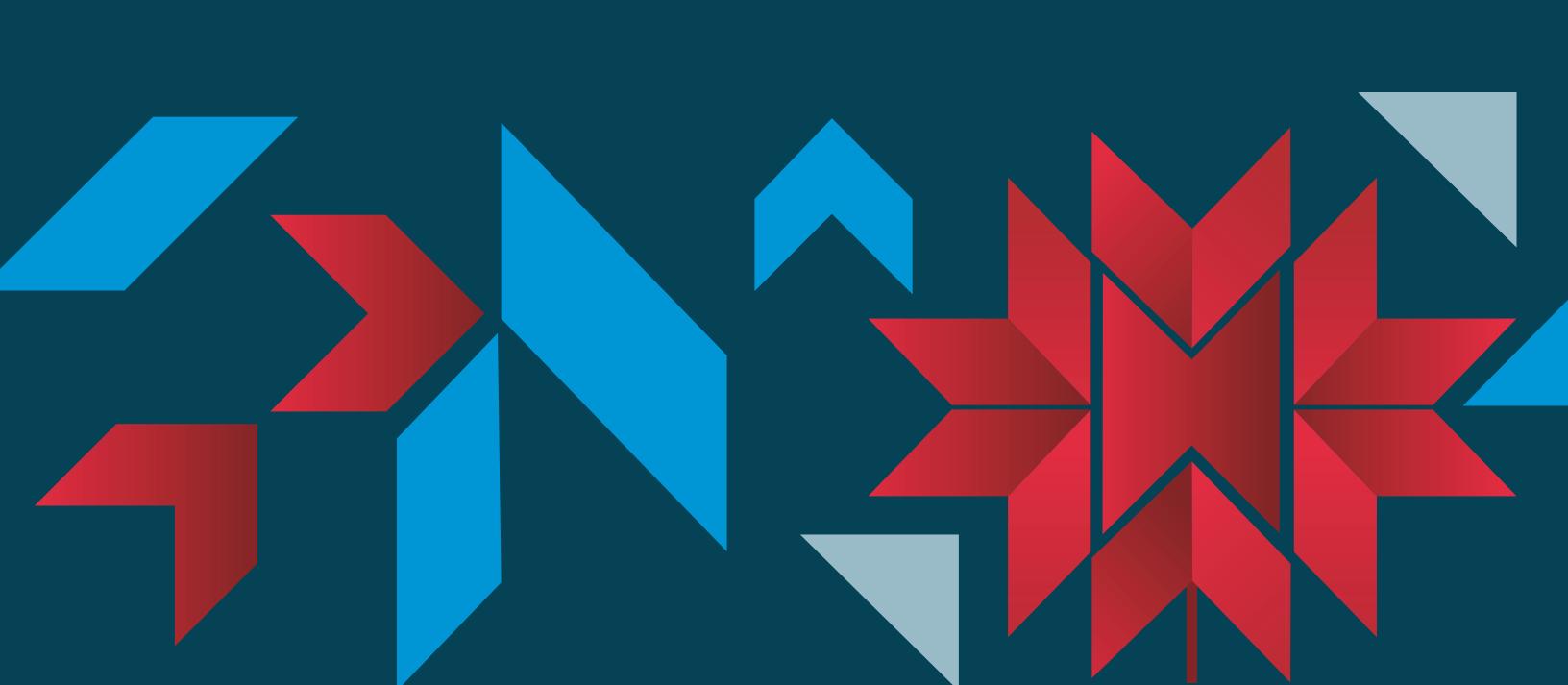
- ◆ Identification: Passport
- ◆ Evidence of IP Ownership: Patent, Copyright and/or Trademark Registration Certificate
- ◆ The hyperlink to the infringing listings, type of infringement and details of what needs to be removed

Agents acting on your behalf should provide any necessary authorization letters. All the documents above should be in an electronic format and can be sent through the system. Following the submission of the above documents and hyperlinks, the infringer of the complaint will be notified. At this point, the offender will either accept or challenge the complaint.

In the case that the infringer challenges the complaint, the complainant then needs to submit the case for dispute on the platform. Alibaba Group will then decide on the outcome, whether it be a warning, fine or removal of the infringer. In most cases, the infringer will be blocked if they do not comply, and after a period of non-compliance, the listing will be removed.

False accusations against listings that do not sell counterfeit products may have repercussions for the complainant. Once a complainant falls below takedown accuracy of 90%, the rate and speed of their takedown success will be impacted in the future. For this reason, it is crucial that brands carefully examine the degree of certainty with which the listing is infringing on their brand trademarks.





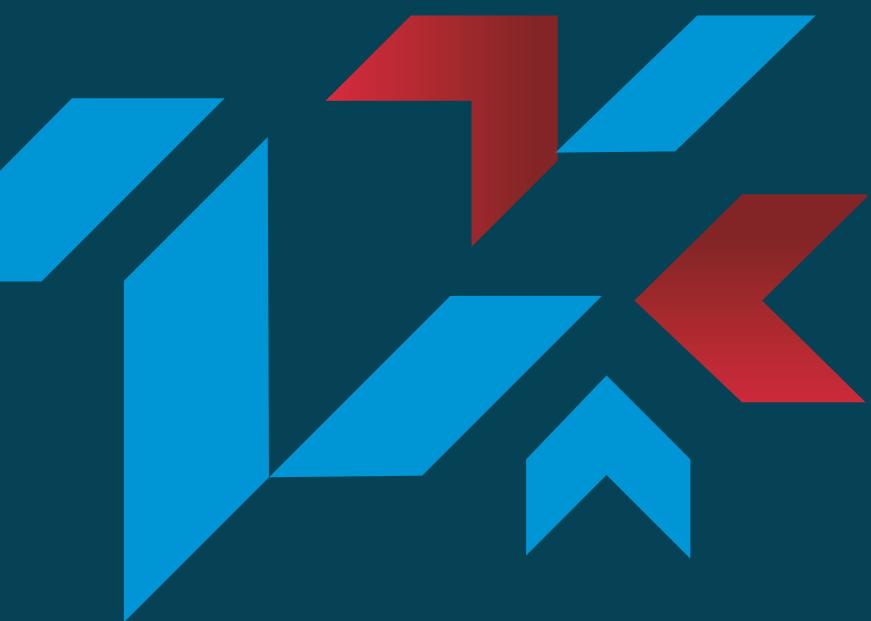
Regulations

China's Regulatory Framework

Import Tariffs

New E-commerce Law

Benefits for Canadian Retailers



China's Regulatory Framework

The Chinese government influences the e-commerce ecosystem through policy and trade measures such as import regulations, tariffs and product testing requirements. Some of the important government bodies involved are the General Administration of China Customs (GACC), State Administration for Market Regulation (SAMR), State Administration of Foreign Exchange (SAFE) and the Tax Bureau.

Policies have been evolving rapidly in recent years and are expected to continue to do so. It is common practice for foreign brands to work alongside a customs broker or import agent that can help provide valuable advice specific to each product type.

The three specific categories of classification for goods include permitted, restricted, and prohibited goods. Requirements vary between different categories of goods. However, across the board, the following documents are required by all importers: bills of landing, invoices, packing lists, health certificates from the exporting country, relevant AQSIQ inspection certificates.

Some product categories such as dairy, agricultural products and other animal-related products must undergo quarantine inspection and strict approval procedures.

Import Tariffs

Products entering China are categorized as either personal parcels or commercial cargo. Both require declaration at customs by filing 'Article Lists' or 'Cargo Lists' for customs clearance before entering China's customs border. For product distribution and logistics from overseas to mainland China, Canadian companies will need to hire a licensed international 3PL or freight company.

Commercial Cargo: Goods for commercial use and/or not categorized as personal parcels are usually categorized as commercial cargo and must go through customs and CIQ inspection & quarantine procedures.

Import Tax: Commercial cargo is subject to various types of import duties and taxes, such as an import tariff, VAT and consumption tax. The rate and type of applicable duties depends on the products' HS Code classification (Harmonized Commodity Description and Coding System) as well as any free trade agreements, most favoured nations agreements, or other trade agreements/disputes that may affect the import duties.

Import Process: It can take several months for Canadian exporters and Chinese importers to prepare all the necessary documents required for the pre-import process. For example, frozen seafood products will require Sanitary Administrative Approval, original labels and their Chinese translations, as well as registration and filing with the local CIQ office in China. During the import process, the inspection declaration, CIQ inspection & quarantine and customs inspection might take another 1-2 weeks.

If any issues occur such as incorrect labels or missing documents, the goods may take longer to clear customs.

Many importers regularly experience challenges with the importation process, so it is important to be aware of the specific requirements for your products' categories.

For more specific information on import taxes, please contact the TCS.

New E-commerce Law

China's regulations on cross-border e-commerce form a comprehensive framework overseeing various aspects of international trade. These regulations cover import and export procedures, customs clearance protocols, and taxation policies. Oversight is managed by multiple regulatory bodies, including the General Administration of Customs, State Administration for Market Regulation, and State Taxation Administration.

Over recent years, China has continuously evolved its regulations in response to shifting dynamics, aiming to balance consumer interests, business needs, and domestic economic goals. It is crucial for businesses to stay updated on these regulatory changes to ensure compliance and smooth operations within China's cross-border e-commerce sector.

In 2024, several potential regulatory changes may take effect:

- Strengthened Product Quality and Safety Standards: Chinese authorities are intensifying regulations to uphold product quality and safety in cross-border e-commerce. This may involve stricter testing and certification requirements for imported goods to meet Chinese standards.
- Adjustments to Taxation and Tariffs: China is reassessing tax policies to promote fairness between domestic and international businesses in cross-border e-commerce. This could entail changes in tax rates and import duties for cross-border transactions.
- Implementation of Registration and Licensing Requirements: China may introduce mandatory registration and licensing for overseas e-commerce platforms and businesses serving Chinese consumers to further regulate the cross-border e-commerce sector.
- Enforcement of Data Security and Privacy Regulations: With growing global concerns about data security and privacy, China may enforce stricter regulations governing the collection, storage, and handling of personal data by cross-border e-commerce platforms.
- Strengthening Anti-counterfeiting Measures: China is actively combating the spread of counterfeit and infringing products across cross-border e-commerce. To combat infringements, harsher penalties may be imposed, along with the enhancement of enforcement measures.

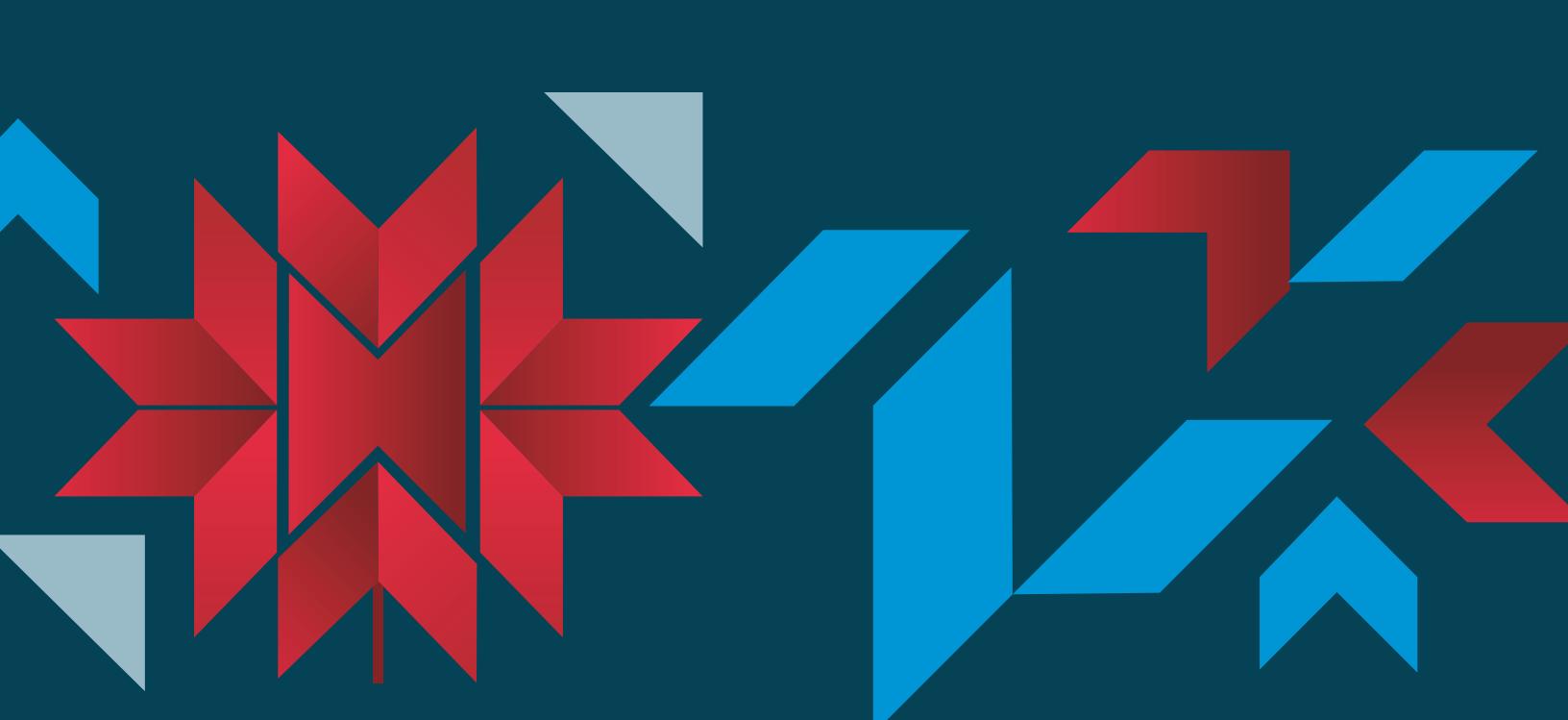
Benefits for Canadian Retailers

Cross-border e-commerce has been supported by authorities, though ongoing tightening of regulations in coming years is expected.

Often with e-commerce regulations in China, the best policy approach is achieved on a trial-and-error type basis. Therefore, it is crucial for Canadian brands to continuously remain aware of the regulatory landscape and how it affects their market entry.

Canadian companies are strongly advised to seek professional, China specialized regulatory and legal advice before making important business and strategic decisions, as the implications of not following the rules in China can have disastrous effects on foreign companies' ability to enter the market successfully.





Marketing

The Importance of Marketing (E-Commerce & Social Platform)

An Overview of the Platforms

WeChat & Weibo

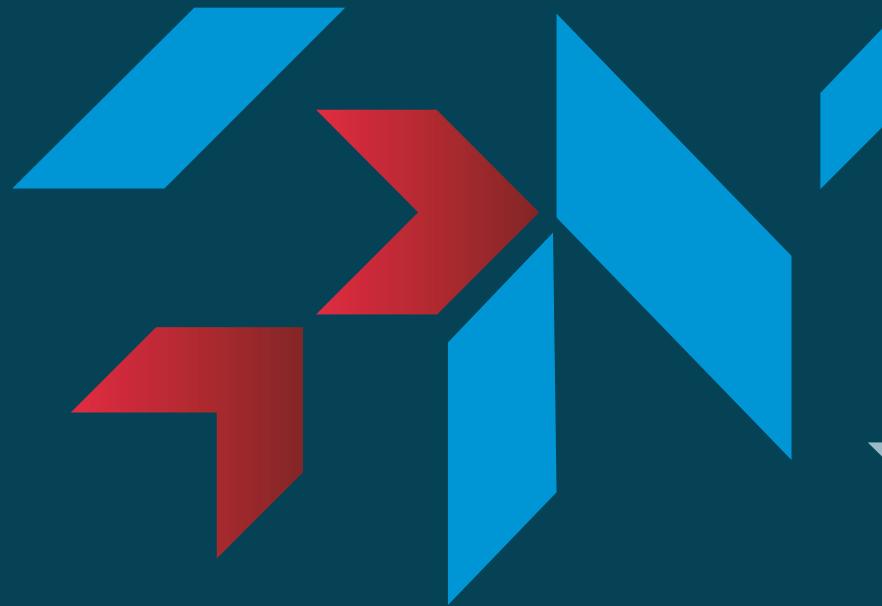
Douyin – Short Videos & Livestreaming

RedNote

Key Opinion Leaders

The Impact of AI on E-commerce

Working with a Marketing Agency



The Importance of Marketing (E-Commerce Apps & Social Platforms)

Addressing Diverse Consumer Needs

The e-commerce marketing model caters to a wide range of consumer needs through diversified product displays and personalized services. Whether it is product categories, specifications, or service formats, e-commerce platforms offer a broader and more flexible selection, enabling consumers to find products that better meet their needs.

Building Brand Image

Utilizing e-commerce platforms, businesses can amplify their brand presence on a national scale in China. Employing targeted positioning and distinctive promotional strategies allows brands to enhance brand awareness and reputation across the entire country. Features like user-generated reviews and social sharing on e-commerce platforms serve as direct references for building up the brand image.

Data-Driven Decision Making

Data is central to the e-commerce landscape. Big data analysis can be used to track user behavior and provide precise market insights and user feedback. Based on the data, companies can then refine product strategies, optimize marketing initiatives, and make informed and data-backed decisions to improve sales strategy.

Expanding Market Boundaries

Unlike traditional retail frameworks constrained by geographical location, e-commerce platforms can be accessed throughout China, especially as logistics networks and infrastructure have become highly sophisticated over the past decade.

Lowering Sales Costs

Compared to conventional retail models, e-commerce marketing can significantly reduce sales and marketing costs. The automation and digitization within e-commerce platforms streamlines the operational processes, especially as the major platforms provide easy to navigate systems to handle backend administrative processes, along with integrated logistics solutions that are directly linked to the online stores. This allows companies to have greater flexibility in pricing strategies and helps to widen profit margins.

In the digital era, e-commerce and social media marketing serves as a major driver propelling business growth. Through e-commerce platforms, enterprises can effectively address consumer demands, fortify brand identities, optimize operations via data-driven insights, mitigate sales expenses, and offer customized product recommendations.

An Overview of the Platforms

Different platforms have different marketing strategies. Shiseido's e-marketing strategy across different platforms can be used as an example:

- ◆ Weibo and WeChat: Focus on creating trendy and popular content to attract traffic.
- ◆ Douyin: Leverage KOLs to increase brand presence and awareness.
- ◆ Taobao/Tmall: Utilize KOL social recommendations to engage users
- ◆ RedNote: Emphasize product functionality through posts, and work with KOLs and KOCs to create user-generated content that showcases Shiseido's products.
- ◆ Pinduoduo: Participate in group buying to attract users and drive sales.
- ◆ Yunji: Focus on e-commerce conversion driven by rewards.

Integrated E-commerce Platform Marketing

Integrated e-commerce platforms mainly include traditional B2C/C2C models such as Taobao/Tmall, JD.com, Vipshop, and Suning. Originating from the PC era, they have transitioned to mobile e-commerce with the rise of mobile internet. These platforms are characterized by mature models, offering a wide range of marketing tools and products for brands to choose from. However, this also means that the platform's traffic ecosystem is mature, and significant traffic dividends are unlikely to occur. Additionally, almost every integrated e-commerce platform has its own "shopping festivals", which serve as important annual marketing milestones.

Guided Shopping E-commerce Platform Marketing

Guided shopping e-commerce platforms primarily guide users to make purchases on large e-commerce platforms through content or discount information. Since guided shopping platforms mainly serve as channels, they can be understood as large-scale Taobao affiliates. Common guided shopping e-commerce platforms include platforms such as Dealmoon, RebateMango, Mogujie, Yitao, Zhe800, and ShiHuo. Compared to integrated e-commerce platforms, marketing tools on guided shopping platforms lean more towards the content side.

Premium E-commerce/Luxury E-commerce Platform Marketing

Premium e-commerce and luxury e-commerce platforms have emerged due to the overall consumption upgrade in China. A typical representative is Netease Yanxuan, which emphasizes "big brands from the same factory". Additionally, there are platforms like Xiaomi Youpin, Secoo, YOHO! Youhuo, and others. While the user base of premium e-commerce platforms remains limited, with the development of the middle-class population, these platforms can reach a more precise user demographic.



Social E-commerce Platform Marketing

Social e-commerce platforms have experienced rapid development in recent years. One type has evolved from communities into content-based e-commerce, such as RedNote. Another type has emerged as new platforms through social gaming in the lower-tier market, like Pinduoduo. Pinduoduo has surpassed JD.com in terms of active users, making it the second-largest e-commerce platform in China and a significant e-commerce battlefield that brands cannot ignore.

Vertical E-commerce Platform Marketing

Vertical e-commerce platforms typically focus on specific product categories for marketing. Common examples include specific platforms for fresh produce (Dingdong Maicai), mother and baby products (Babytree), second-hand goods (Idle Fish), fitness and sports (Keep), and apparel (Dewu). Overall, vertical e-commerce platforms are smaller in scale and require precise matching with brand product categories and target users.

WeChat & Weibo

WeChat: The all-in-one platform.

As the largest social platform in China with over 1.2 billion monthly active users, WeChat integrates content sharing, advertising, purchasing and payment systems, and has become an all-in-one lifestyle platform. Marketing methods on WeChat can include working with KOLs, using promotional tools, and content marketing through Official Accounts. Brands can also create their own Mini-programs on the app, which offers additional interactivity with potential customers.

However, over the past several years there has been a notable decrease in article reads and follower rates among brand accounts, causing a shift in focus for the platform to video content and livestreaming. With that said, the prevalence of WeChat in China still makes it an essential brand building platform, functioning as a direct touchpoint for customers wanting to learn more about brands. Many brands utilize the platform for customer relationship management through membership programs and group chats.

Weibo: Announcements and influencers.

With a monthly active userbase of about 600 million, Weibo is a top social platform in China, with a stronger focus among users from lower tier cities. As the main platform for celebrities, Weibo leverages fan communities at its core, connecting interest groups to achieve full-cycle marketing.

When it comes to how brands share content on the platform, brands will generally announce big news and campaigns, especially ones that include collaborations with celebrities or well-known public figures. Additionally, user-generated content and lucky draws tend to be popular forms of content on Weibo.

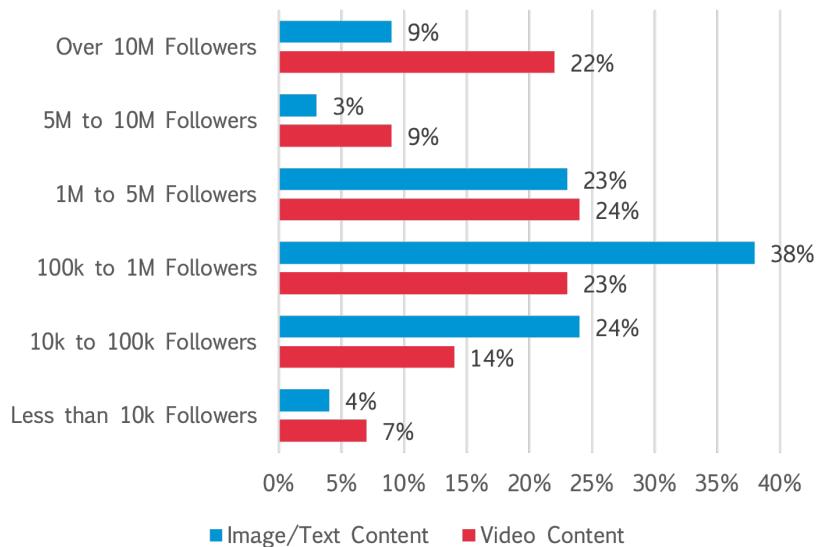
The promotional and advertising tools offered by Weibo for brands looking to market on the platform can be cost-effective and lead to massive reach and low CPM. However, despite boosting brand awareness, conversion rates are relatively low, as it is largely seen as a platform for information sharing, entertainment and celebrity news.

Douyin – Short Videos & Livestreaming

Especially with the growth in importance of short video and livestreaming in China, Douyin is one of the major platforms through which brands can build up brand awarenesss in market.

Under Douyin's algorithmic distribution mechanism, even brand accounts with lower follower counts can gain high exposure by creating high-quality content. Looking at the distribution of followers among the accounts that posted popular Douyin videos in 2023, contributions from mid-tier influencers are the highest, exceeding half of the total. Additionally, the performance of smaller accounts is also significant, particularly in the format of images and text, where low-follower accounts are more likely to create viral content.

Distribution of Followers Among Accounts that Posted the Most Popular Douyin Content in 2023



Short videos with a duration of less than 30 seconds are the most popular and common content on the platform. However, with Douyin relaxing its restrictions on video length, the long video ecosystem has also experienced rapid growth. Particularly, the growth rate of videos with a duration of 30-60 minutes is the highest.

In addition to short video, livestreams are another major form of content on Douyin, receiving large view numbers and driving sales. Many brands are both working with established KOLs to promote their products, while also running their own livestreams to directly sell their products.

From the distribution of tags among popular livestreams, outdoor activities, food, and interactive chats typically exhibit strong entertainment value and interactivity, attracting more attention and engagement. Among popular livestreams, 43% promote products, with the trending categories primarily concentrated among fast-moving consumer goods such as food and beverage, cosmetics, and fresh produce.

With the maturation of Douyin's comprehensive interest-based e-commerce ecosystem, more brands are choosing to establish a presence on the platform. In 2023, the sales momentum of brands on Douyin continued to grow, and the influx of numerous brands not only enriched Douyin's e-commerce ecosystem but also created more consumption opportunities. Among them, the categories with the highest number of new brand additions in 2023 were alcoholic beverages, luxury goods, and health supplements, indicating their potential to become popular categories in the future.

Top 5 product categories with the most new brand accounts on Douyin in 2023

Top 1	Liquor
Top 2	Luxury Goods
Top 3	Health & Wellness/Nutritional Products
Top 4	3Cs, Electronics, Digital Products
Top 5	Fresh Produce

Top-selling 5 product categories through livestreams on Douyin

Top 1	Food & Beverages
Top 2	Beauty
Top 3	Fresh Produce
Top 4	Household Items
Top 5	Family Health

RedNote

Over the past several years, the significance of RedNote as a platform through which brands can market themselves has only increased. As a platform for discovery and user-generated content (UGC), the algorithmic feed shows users a combination of content from followed accounts, trending posts, suggested content, and content from nearby users.

Brands can collaborate with users and KOLs on the platform to share authentic product reviews, then boost engagement and views for these posts through the platform's promotional tools and search engine marketing. In developing potentially viral posts, brands need to keep in mind the importance of keywords to optimize the content for the algorithm and to improve search results.

In 2024 RedNote has refined its definition of bloggers, introducing a new category called KOS (Key Opinion Sellers). Compared to KOLs, they possess more professional business capabilities and have a reserve of brand knowledge.

RedNote defines KOS as "mini brand ambassadors", who serve as "recommendation officials" providing precise services to users. They also act as connectors bridging the gap between online and offline platforms. Because of their professional service, timely response, and access to firsthand product information, KOS have a strong appeal to users.

For brands wanting to succeed on the platform, it is important to understand that the content shared will need to be continually refined through test and learn processes in order to improve performance, especially when utilizing spend.



Key Opinion Leaders



In 2023, the overall number of KOLs continued to grow, attracting numerous amateurs to develop into self-media, especially with the strong momentum of platforms like RedNote. Last year, the estimated overall number of KOLs increased by 17% on RedNote compared to the previous year, and 10% on Douyin.

Content trend: Douyin captures the diverse aspects of society, while RedNote focuses on lifestyle.

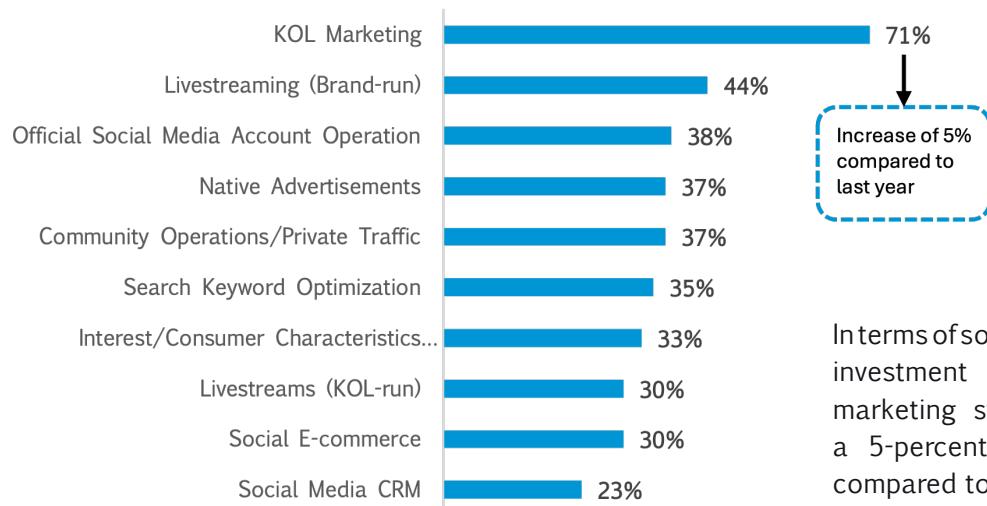
Douyin

- ◆ Optimism: Users posting on Douyin are optimistic, positive, and proactive. Even in the face of life's challenges, they strive to move forward.
- ◆ Rural: Due to Douyin's "New Rural Initiative" and the enthusiasm for posting from users located in fourth and fifth-tier cities, we can see a plethora of topics related to "rural life" emerging on the platform.
- Travel: Following the end of the pandemic, travel has become a hot topic. Experiencing nature has also become a topic users are keen to share about.

RedNote

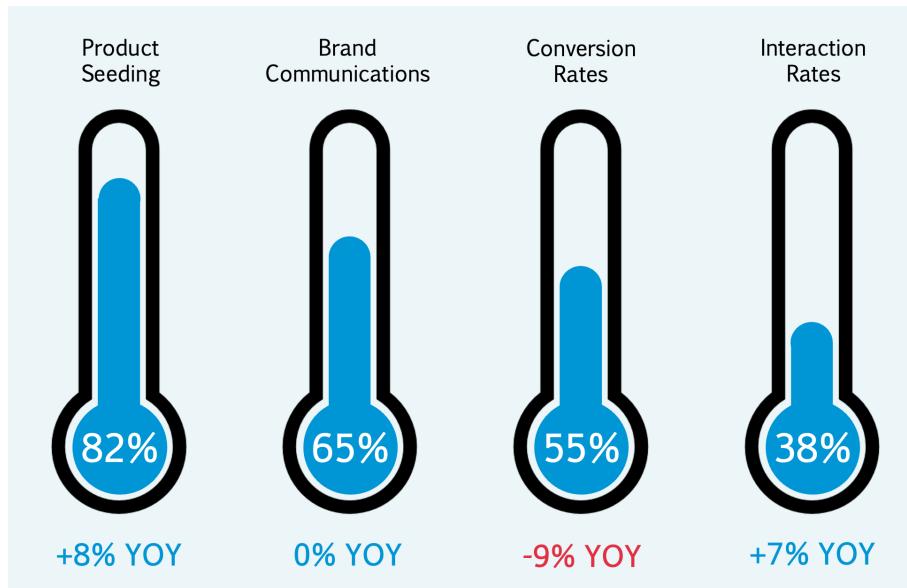
- ◆ Love for Life: Users posting on RedNote are passionate about life, whether it's about daily life, fashion, makeup, or topics like food, travel, and pets. In contrast to the optimistic attitude of Douyin users, RedNote users focus more on the ambiance of life and romanticism.
- Self-Improvement: RedNote has a predominantly female user base who are interested in personal growth. They aspire to become better versions of themselves, both internally and externally. This is evident from topics such as "Beauty Transformation", "Women's Growth", "Fitness is Better Than Meeting People", and "Knowledge Enhancement."

Social Media Marketing Focus for 2024 Among Advertisers



In terms of social media marketing investment priorities, KOL marketing still ranks first, with a 5-percentage point increase compared to 2023.

KOL Marketing Objectives in 2024



When it comes to KOL Marketing, product seeding remains the major marketing objective among brands, also having the highest YOY growth.



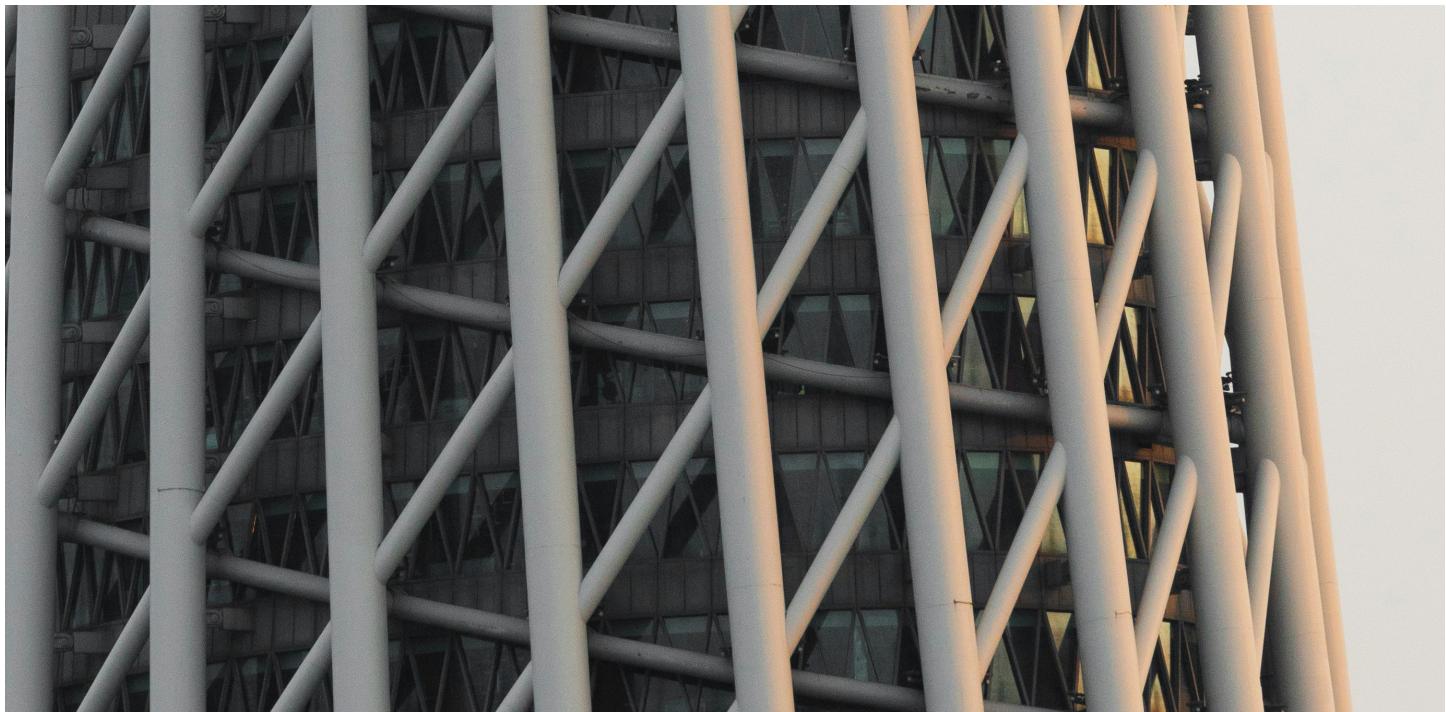
The Impact of AI on E-commerce

AI is significantly transforming the e-commerce landscape in China by enhancing the shopping experiences, streamlining operations, and driving sales. As AI continues to develop, with new updates being regularly released, brands can expect to see improved customer engagement through optimized targeting, enhanced productivity and cost savings.

Many E-commerce platforms have already integrated AI based services or tools with use cases including, but not limited to:

- ◆ Personalized Shopping Experiences: AI algorithms analyze online and offline data patterns to understand customer intent and provide personalized product recommendations.
- ◆ AI Chatbots and Virtual Assistants: AI chatbots enhance customer interactions by offering real-time support, reducing labor costs for merchants. These AI-driven chatbots can also guide users and suggest product or find discounts.
- ◆ AI-powered product content creation: AI tools can generate product images, marketing copy, and short videos, increasing efficiency and reducing production costs.
- ◆ Smarter Searches: AI allows EC platforms to better understand shopper search queries, thereby providing more relevant results and increasing conversion rates.
- ◆ AI Influencers: Virtual influencers are becoming more popular and are collaborating with brands to boost sales.
- ◆ Supply Chain Management and Logistics: Through AI systems, supply chain management, product tracking, inventory, and delivery management can be improved.

The next generation of e-commerce is expected to continue integrating AI capabilities, providing users with one-stop services for their full range of needs, while also more accurately targeting consumers depending on their individual needs and preferences.



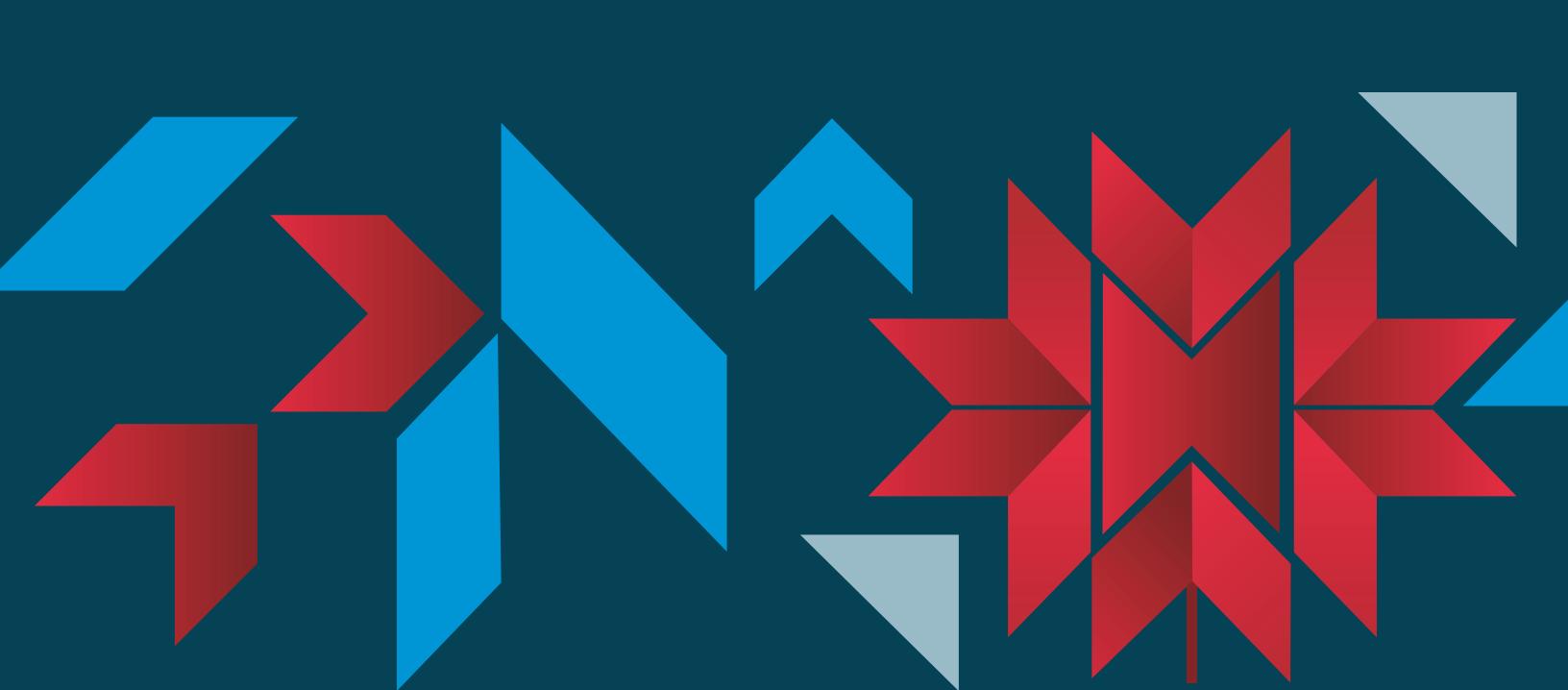
Working with a Marketing Agency

Succeeding in China requires a well-planned marketing strategy and often necessitates the assistance of a local marketing agency with expertise in the Chinese market.

Tips for working with an agency in China include:

- ◆ Define Your Goals: Clearly define your marketing goals and objectives for China. Whether you want to build brand awareness, increase sales, or expand your market share, having well-defined goals is crucial.
- ◆ Budget and Resources: Determine your budget for marketing in China. This will help you identify agencies that align with your financial resources.
- ◆ Identify Potential Agencies: Begin your search for marketing agencies in China. You can use several methods to identify potential partners:
 - > Referrals: Seek recommendations from business contacts, industry peers, or local organizations.
 - > Online Search: Use search engines and professional networking platforms to find agencies.
 - > Industry Events: Attend trade shows, exhibitions, or conferences related to your industry in China, where you can connect with marketing agencies.
- ◆ Check Credentials and Expertise: Review the credentials and expertise of potential agencies. Look for agencies with experience in your industry and a track record of successful campaigns.
- ◆ Initial Contact: Contact the selected agencies and request information about their services, case studies, and client references.
- ◆ Local Expertise: Choose an agency that has a deep understanding of local trends, digital platforms, and advertising regulations in China.
- ◆ Monitoring and Reporting: Define key performance indicators (KPIs) and establish a system for monitoring and reporting on the progress and effectiveness of marketing campaigns.





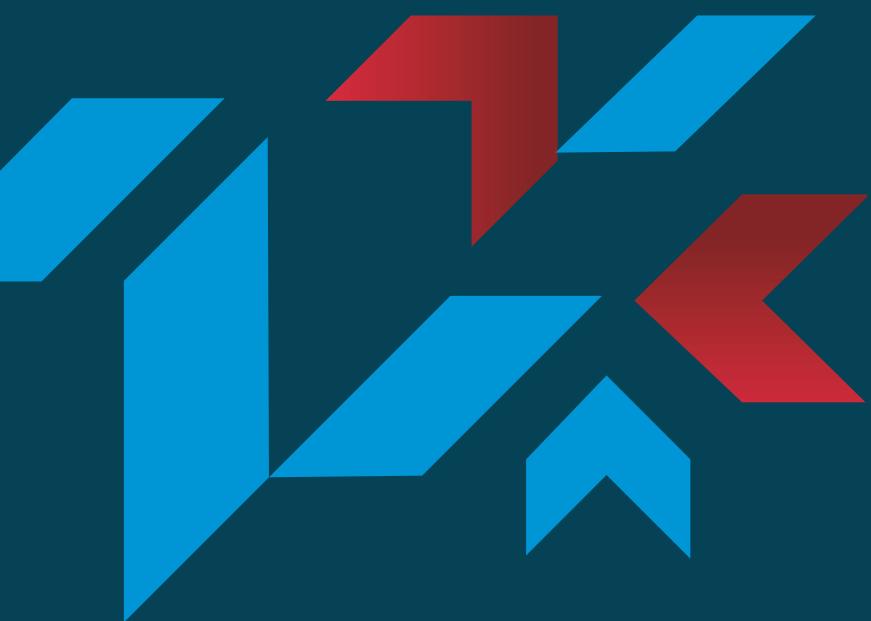
Approaching the Market

Phased China Market Entry

Issues Faced by New Entrants

Category Understanding

Increasing Brand Presence



Phased China Market Entry

Entering the China market requires a multi-phased approach, both in terms of social media and e-commerce.

Brand Building and Localization

1. Localised Strategy	2. Establish Owned Media	3. E-commerce Development
➤ Focus on product testing	➤ Official owned media accounts ➤ Low investment needed ➤ 2-3 posts per month	➤ Which options to choose: Tmall, Douyin, JD, RedNote
➤ Competitor research	➤ To Douyin or not to Douyin? ➤ Big investment, but potential high return	➤ Utilize in-app investments
➤ Pricing		➤ Livestreaming strategies
4. KOL Seeding	5. Trade Marketing: Offline/In-store	6. Campaign Launch
➤ Micro KOLs across media: RedNote, WeChat, Douyin	➤ POSM	➤ Localized TVC
➤ One mega KOL to act as the brand ambassador	➤ In-store sampling	➤ Coordinated launch across multiple channels to drive awareness
➤ Sampling program	➤ Gift-boxing	➤ Brand, celebrity, or IP collaborations
➤ Affiliate program: combining sampling and sales	➤ Retail collaborations	

IP Protection

Protecting your trademark and intellectual property is the first step towards market entry in China, to manage risk and prevent future issues from cropping up.

Market Entry Strategy

Prior to any steps towards market entry into China, brands need to develop a comprehensive entry plan and strategy. To develop this, a clear understanding of the product category, target audience, key competitors, and key platforms is required.

Localization

Once the strategy is in place, brands should determine how they will localize their branding and products to the China market, whether it is coming up with a Chinese name or developing creative assets to use in market.

Cross-Border E-commerce

For many brands, one method of initial market entry is through cross-border e-commerce. Through this model, brands can test the waters and build up initial sales and brand recognition before investing fully through establishing a domestic entity and business licence.

Build Sales

To build up initial sales, brands can utilize in-app marketing tools, along with collaborating with KOLs and livestreamers. This has the effect of both increasing purchases and reviews, along with brand awareness in market. However, it must be noted that this stage is unlikely to be profitable due to the large investments in spend and marketing required.

Establishing Media Channels

To succeed in China, brands need to establish official brand accounts across the major social media platforms in China, such as WeChat, RedNote, and Douyin. However, these accounts do not need to all be started at once, and choosing the appropriate platform for your brand will depend on product category and target audience.

Further Expansion in Market

Once the initial steps have been taken and the brand is now established in the China market, with official brand accounts and initial sales, the next steps are more customizable and dependent on brand direction. These can include expanding onto other CBEC platforms, working with a local distributor, launching in offline stores, or establishing a local entity in China to develop your own domestic e-commerce store.



Issues Faced by New Entrants

New brands venturing into the Chinese market often encounter a myriad of challenges stemming from cultural differences, regulatory complexities, and fierce competition. Language barriers and cultural nuances can hinder effective communication. Navigating China's intricate regulatory landscape, including licensing requirements, intellectual property protection, and censorship laws, can pose significant hurdles for newcomers. Moreover, intense competition from both domestic players and established international brands necessitates innovative strategies to differentiate and capture market share. Building brand awareness, establishing trust, and adapting products or services to meet the unique needs and preferences of Chinese consumers are essential for overcoming these challenges and achieving success in the dynamic and rapidly evolving Chinese market.



Category Understanding

It's crucial for brands to grasp their online performance within their respective categories. Regardless of the overall level of interest in a specific product type, varying categories can lead to distinct price premiums and basket sizes.

These insights carry significant weight in shaping both product and market strategies. Additionally, recognizing the seasonal and temperamental nature of category pricing and sales volumes is equally vital.

Example 1. Health supplements

Age	Life Attitude & Focus	Examples of Preferred Health Products
15 – 24 Y/O	Curious, passionate, wants on-the-go nutrition that tastes great.	Protein bars
25 – 34 Y/O	Under pressure from work. Wants products that provide energy boosts, along with products for preventative care.	Health supplements, e.g. for liver protection
24 – 50 Y/O	Concerned about family health. Prefers science backed ingredients and certified products.	Health supplements, e.g. calcium tablet
50 + Y/O	Wants product efficacy and cost effectiveness for products that address specific health concerns.	Health supplements, e.g. revitalizing cells.

Tip: Understand the specific characteristics of each consumer group, what their primary concerns and demands are, and the types of products that address their needs.

Example 2. Mother and baby

As scientific parenting principles become more widespread, today's parents are growing more meticulous when it comes to nurturing their children, particularly concerning baby allergies. Research conducted by Babytree, one of the top vertical Mother & Baby platforms in China, reveals that a staggering 90% of parents consistently prioritize and are deeply concerned about their babies' allergies. Concurrently, the prevalence of allergies among infants and toddlers remains notably high. The "Infant and Toddler Allergy Risk White Paper" indicates that over 40% of infants and toddlers in China have experienced or are currently grappling with allergy-related challenges.

Tip: Through content seeding, enhance consumer awareness of the product's core ingredients and patented technologies, offering certifications and other research studies that prove efficacy.

Example 3. Cosmetic and personal care

Chinese consumers prioritize the natural health aspects of skincare. Public data indicates that 57% of consumers consider product ingredients and safety crucial factors in their purchasing decisions, while 39% of consumers expressed a preference for products containing plant-based ingredients, actively seeking skincare solutions that are both safe and gentle, minimizing irritation.

Tips: Cooperate with top-tier KOLs to improve product exposures, with middle-tier KOCs to conduct product testing, e.g. for ingredients, and utilize word-of-mouth marketing to achieve brand and product exposure.

Increasing Brand Presence

The most effective methods for increasing brand presence in the China market is by establishing a presence on Chinese social media platforms.

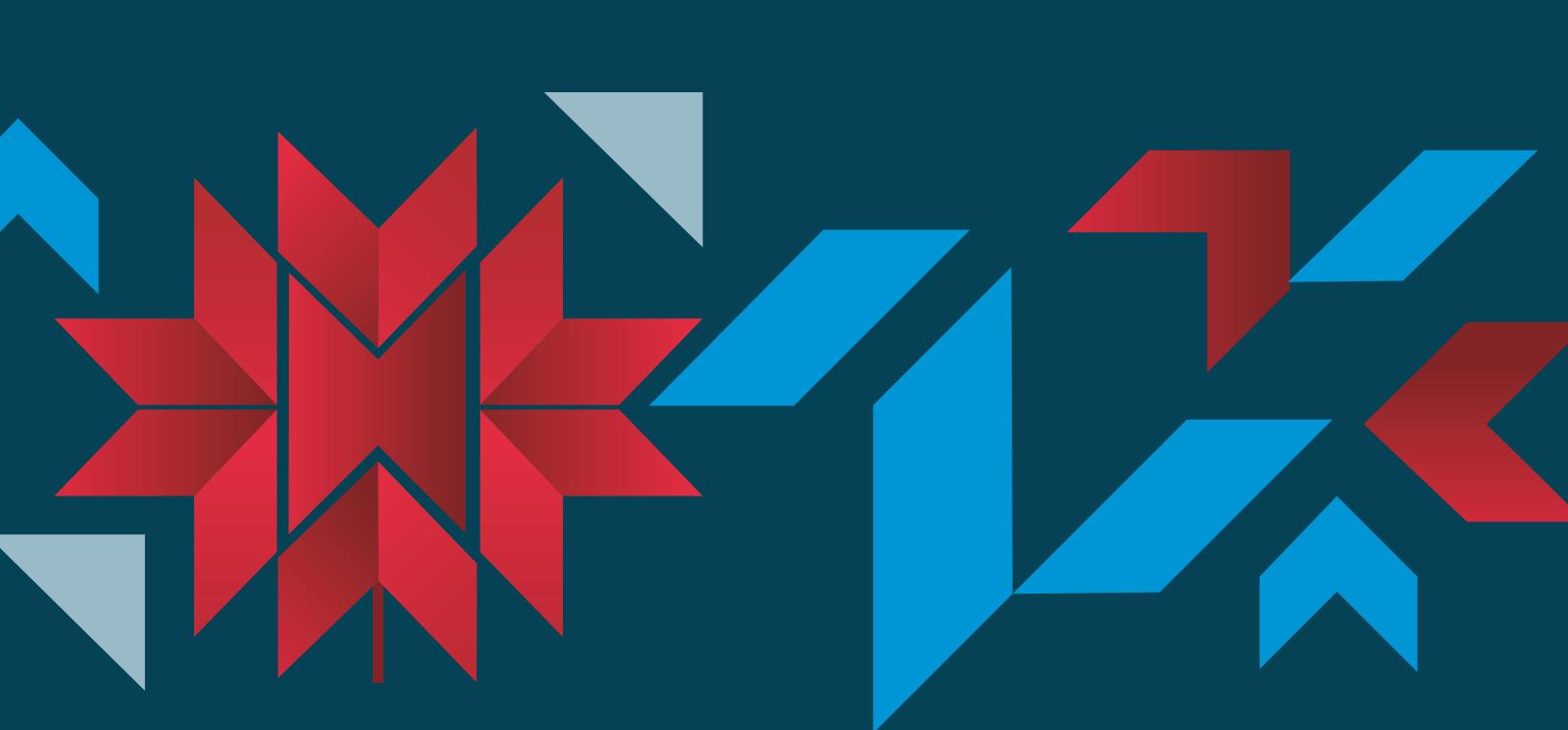
Once you have gained enough traction and brand awareness, this will increase your ability to do the following:

- ◆ Increase in brand exposure: There will be more brand searches on online marketplaces, increasing the chances of being purchased.
- ◆ Traffic diversion: Followers on social media can be directed to online marketplaces your brand is selling on. Some online marketplaces can also be embedded into your social media platform.

However, when dealing with social media, it is important to keep in mind the following factors:

- ◆ Follower retention: WeChat is a form of social media that retains followers rather than attracting them, unlike other forms of social media platforms. The use of KOLs and advertising can overcome this problem but at a relatively high expense.
- ◆ Investment: To build and maintain a social media presence, there needs to be investment in time and resources, ensuring the content is interesting, engaging and relevant.
- ◆ Connectivity: Previously, most of the major platforms did not allow direct linkage to each other, however, this is currently under review and may already have seen changes. Currently, Alibaba sites still block indexing by the Baidu search platform to ensure that consumers make searches within Alibaba sites. Tmall links could not be opened directly within WeChat in the past, although this has changed recently. Brands should carefully review the current policies by the platforms on direct linkages, as it may have repercussions for online presence and connectivity.

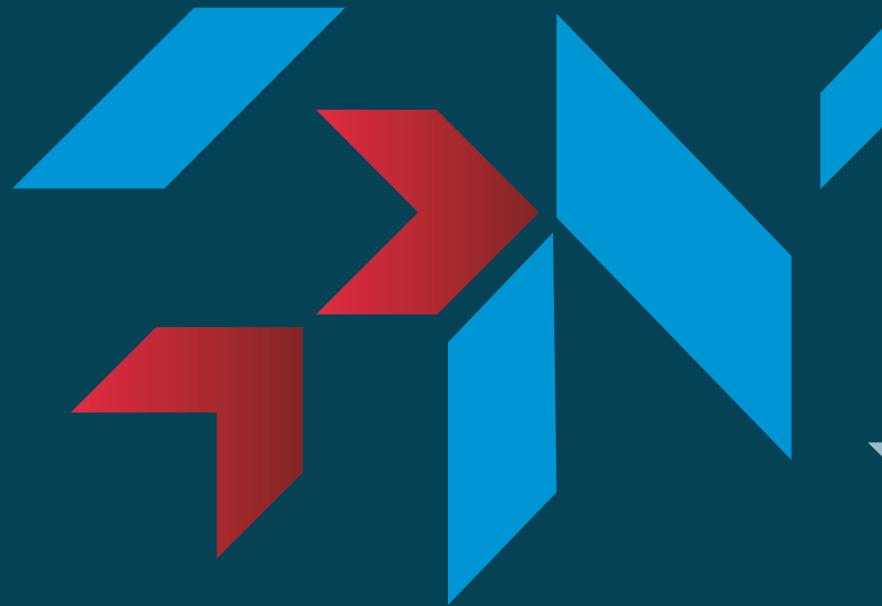




Case Studies

Brand 1: Gold Bond

Brand 2: Jung Saem Mool



Brand 1: Gold Bond

Launched in the United States in 1908, Gold Bond has a century-long legacy. With over 30 retail channels both online and offline, Gold Bond, a brand under Sanofi, one of the world's top five pharmaceutical companies, upholds a commitment to science, outstanding formulations, and products that receive widespread acclaim.

In June 2021, Gold Bond officially launched its operations on Douyin's e-commerce platform. Leveraging Douyin's e-commerce FACT matrix, Gold Bond focused on two main marketing strategies: F (Field) self-broadcasting by merchants and A (Alliance) influencer matrix. Regarding F (Field) self-broadcasting, Gold Bond aimed to deepen consumer understanding of its products. During the promotional period, Gold Bond transformed its self-broadcasting channels into spaces for sharing brand and product content. Hosts provided detailed explanations of product usage methods, enabling consumers to gain comprehensive insights into the products. This approach facilitated efficient conversion from brand exposure to product consideration and purchase.

On the A (Alliance) influencer matrix, Gold Bond continuously explored and tested strategies, primarily selecting influencers specializing in horizontal evaluations and those with a European and American style. Practical experience showed that influencer live broadcasts brought new business growth to the brand. For example, after a European and American style influencer released a short video featuring Gold Bond's neck cream, it sparked a buying frenzy within three hours. The following day, through live broadcasts, traffic was further capitalized upon to drive conversions. Leveraging the popularity of short video content on the platform, Gold Bond achieved sales exceeding 2 million RMB within three days. Similarly, collaboration with a female fashion influencer on a hand cream product also yielded remarkable results. The video caused the hand cream to sell out within three days of release, and over 10,000 units of inventory in the second wave were sold within less than two sales cycles, with a cumulative sales exceeding 1 million RMB.

Key Takeaways

1. Brands can tap into local e-commerce platforms such as Douyin to engage Chinese consumers effectively, utilizing their key features, such as livestreaming.
2. Collaborating with influencers and using utilizing brand-run livestreams can build authenticity and drive conversions.
3. Video is the key content format for driving sales and consumer engagement.



Brand 2: Jung Saem Mool

Established in 2015, JUNG SAEM MOOL was founded by South Korea's top makeup artist, Jung Saem Mool. Serving as the makeup artist for numerous Chinese and South Korean celebrities, Jung Saem Mool pioneered the trend of "natural transparent makeup", gaining attention and praise worldwide.

In December 2021, JUNG SAEM MOOL officially entered the Douyin e-commerce platform and achieved sales exceeding 1 million RMB within seven days. Multiple SKUs topped the charts as Douyin's explosive hits, securing the first spot on the cross-border beauty product list. This success marked a rapid breakthrough for JUNG SAEM MOOL on the platform.

Firstly, JUNG SAEM MOOL collaborated extensively with overseas flagship stores and beauty-related influencers to establish a matrix of "Top Makeup Artist Jung Saem Mool + South Korean Celebrity + Beauty Influencers." This introduced celebrity makeup to fans, stimulated influencers' enthusiasm for makeup creations and initiated a new experience of professional makeup interactions. Within seven days of the campaign launch, a massive amount of original user and professional content erupted on the platform, which led to sales exceeding 1 million RMB.

Secondly, by creating distinctive livestreaming scenes such as duty-free warehouse livestreams, South Korean factory livestreams, and brand offline store livestreams, JUNG SAEM MOOL offered a range of different experiences, immersing consumers into the production and shopping process. This strengthened the brand's livestreaming channels and brand identity. Additionally, Korean celebrities were invited to join the live broadcasts, leveraging the celebrity effect to further boost brand sales.

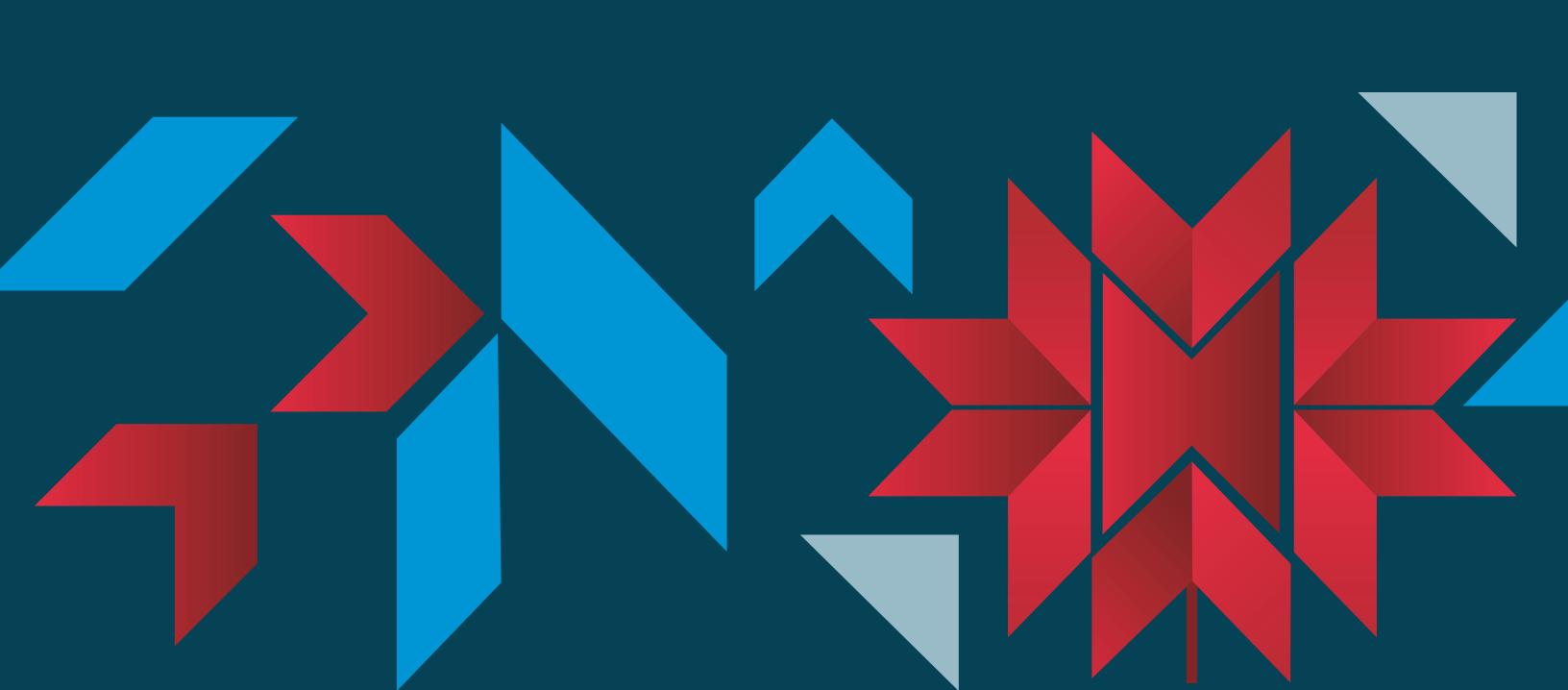
In 2022, JUNG SAEM MOOL continued to enhance the capabilities of its self-broadcasting team. Leveraging top domestic MCN companies, they incubated a self-broadcasting influencer team, deepening their presence through Douyin e-commerce self-broadcasting. Meanwhile, they strengthened influencer livestreaming efforts, continuously building a marketing matrix with "Top Makeup Artist IP Brand + Beauty Influencers" to propagate virally.

Furthermore, JUNG SAEM MOOL utilized top makeup artist resources to establish an online "Makeup Academy," presenting professional teaching scenarios in the form of "livestreamed lessons", providing consumers with new experiences with the brand.

Key Takeaways

1. **Brands can collaborate with local influencers to boost consumer interest.**
2. **Offering immersive livestreaming experiences, both brand-hosted or collaborations with popular celebrities and livestreamers, can enhance brand identity and sales.**
3. **Develop additional resources related to the brand category, such as JUNG SAEM MOOL's Makeup Academy, to deepen the connection with consumers and drive long-term growth.**

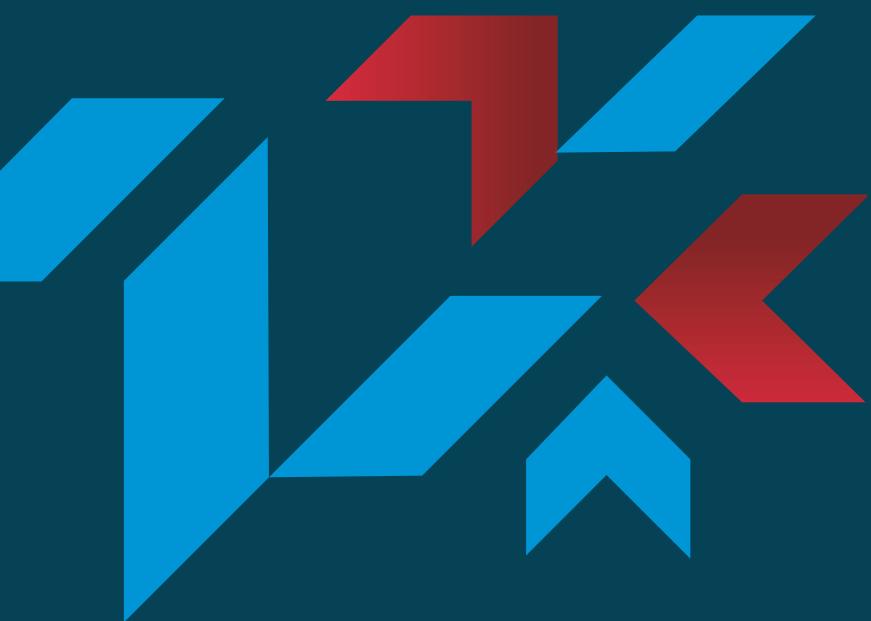




Appendix

Frequently Asked Questions

Glossary



Frequently Asked Questions

Who are the major players in China's e-commerce market?

China's e-commerce landscape is largely dominated by Alibaba's two platforms, Tmall and Taobao, Bytedance's Douyin, and JD.

What is cross-border e-commerce?

Cross-border e-commerce entails the act of selling products online across international borders, to customers in a different country or territory. In China, it is used to sell overseas products directly to Chinese consumers through online stores and without the need of having a formal presence in China.

What regulations are there around cross-border importation?

Postage-import: Each parcel has a 6-item or 2,000 RMB combined value limit. However, if there is only one item, there are no restrictions. Please note that products cannot be part of the list of banned items. Banned items include, but are not limited to:

- Weapons, simulated weapons, ammunition and explosives
- Forged currency or securities
- Printed matter, films, photos, movies, audiotapes, videotapes, CDs, DVDs
- Storage devices and other items that could do harm to China's politics, economy, culture or morality
- Poison and addictive drugs
- Food, drugs or other products that could do harm to humans and animals or could potentially be infectious
- Animal, animal products, plants and plant products that contains dangerous bacteria and insects

What products are popular on cross-border e-commerce?

Though cross-border e-commerce is diversifying rapidly, some key areas that are particularly strong include:

- Beauty care products and other cosmetics
- Food and health care products
- Mother and baby products
- Jewellery, watches and glasses

What do Chinese consumers look for in foreign products?

- Product safety
- Product quality
- Product price
- Product design

How do the products enter China through cross-border e-commerce?

There are two popular methods for products to enter China:

- Direct Mail
- Bonded Warehouse

For more information on these methods of entry please refer to the Modes of Entry chapter of this report.

Is cross-border e-commerce expensive?

Though cross-border e-commerce is often considered a low cost and low risk entry approach to the China market, this is generally when compared to formal market entry into China. Running a successful cross-border e-commerce operation can easily run into the hundreds of thousands or millions of Chinese RMB per year.

Factors to consider include:

- IT capabilities
- WMS/OMS/ERP systems
- Warehousing and inventory
- Cross-border shipping services
- Marketing budgets
- Payment integrations
- Day-to-day operations

Do brands need a Chinese business partner for cross-border e-commerce?

In many cases, China's online marketplaces including Tmall global and JD.com Worldwide require that all foreign brands or retailers work with a local, authorized service provider to set up and operate their e-commerce store. This is largely due to the array of guidelines and rules that must be adhered to.

What is a Free Trade Zone?

FTZs have different regulatory requirements and operate under separate rules for companies that are set up within China's customs borders. For example, in January 2015, the Shanghai Free Trade Zone began allowing WFOEs to invest in online data processing and transaction processing e-commerce operations, which is normally prohibited outside of this area.

What is New Retail?

New Retail can be defined as online and offline retail integration – essentially the link between the 'online discovery' of products and actual commerce in the offline world through the use of experiential elements and technology. The purpose of New Retail is to enhance overall operational efficiency and enhance customer experience.

What is a WFOE?

A Wholly Foreign-Owned Enterprise is a common investment vehicle in China where foreign parties (individuals or corporate entities) can incorporate a foreign-owned limited liability company.

What is the Great Firewall?

The Great Firewall is part of the wider effort labelled as the Golden Shield Project by Chinese authorities. It began in 2006 and is a highly sophisticated internet filtering system. In China, all websites need to be licensed, with content adhering to Chinese regulations.

How do I prepare to sell on e-commerce in China?

- Market validation
- Product validation & category analysis
- Understanding your consumer
- Product choice
- Understanding compliance
- Understanding your platform
- Product pricing
- Branding and localization

Do I need to localize my brand?

Successful exports from Canada to China require significant thought, strategy and time invested into optimizing your brand's message and unique selling points. The following key points should be taken into consideration:

- Do not change packaging too much - Consumers often appreciate the white sticker (importation sticker) as it signifies that this is a genuine foreign imported item. There is no need to remove English from the packaging, although including a Chinese brand name and some information or instructions in Chinese will be helpful.
- Do not be insensitive to Chinese culture - As D&G recently learnt the hard way, insensitivity to Chinese culture through poorly communicated e-commerce descriptions, social media campaigns or brand marketing can result in a PR disaster.

What does a TP do?

The name TP, refers to "Tmall Partner" a broadly used term for third-party agencies for the platform. TPs are certified agencies/service providers that help merchants (brands) sell on Tmall and manage daily operations of the platform itself.

There are many well-established TP agencies in China that have the expertise and skills to successfully serve brands on multiple e-commerce platforms, and often they will be the first to advise brands on which platforms to work with during the initial consultation.

What are grassroots platforms?

There are numerous third-party grassroots e-commerce platforms brands can use to set up a presence. Among the most popular are those linked to the lifestyle application WeChat, called Weidian and Youzan.



Glossary

3PLs

Third-party logistics refer to companies that provide services to their customers in logistics services for part or all of their supply chain management functions, usually specialized in warehousing and transportation services that can be scaled and customized to customers' needs based on market conditions.

APP

Mobile application.

B2B

Business-to-business refers to commerce transactions between businesses, such as between a manufacturer and a distributor, or between a distributor and a retailer. For example, Alibaba is the largest B2B e-commerce platform in China.

B2B2C

Business-to-business-to-consumer refers to a business pattern adopted by some e-commerce platforms such as JD.com and Jumei which have self-operated businesses, i.e. sourcing products from suppliers and then selling these to consumers on their own online platforms.

B2C

Business-to-consumer refers to transactions between businesses and consumers, such as between a retailer and consumers, between a distributor and consumers, or an e-commerce platform and consumers. For example, Tmall is the largest B2C e-commerce platform in China.

C2C

Consumer-to-consumer refers to electronically facilitated transactions between consumers via third-party platforms such as Taobao and eBay.

CAGR

Compound annual growth rate is a measure of growth over multiple time periods.

CBEC

Cross-border e-commerce.

City Tier System

The Chinese city tier system is a hierarchical classification of Chinese cities.

COFCO

China National Cereals, Oils and Foodstuffs Corporation, is one of China's state-owned food processing holding companies. COFCO Group is China's largest food processing, manufacturer and trader.

Digital Payments

Transactions completed by making payment with a digital wallet. In China this most often through Alipay and WeChat Pay.

FIC

The Foreign Investment Catalogue is one of the key mechanisms for regulating foreign direct investment in China. It categorizes foreign invested projects as "encouraged", "restricted" and "prohibited" industrial sectors.

FICE

A foreign invested commercial enterprise. This can be a JV or WFOE and has the right to import, export and distribute goods within China.

Flagship store

A flagship store is where companies can sell their own brands (R or TM). This can include different types of products, but needs to be under the same brand name.

FTZ

Free Trade Zones in China are a specific class of economic zone where goods may land and be handled, manufactured and re-exported without intervention of the customs authority.

GACC

General Administration of China Customs is responsible for the collection of VAT, customs duties, excise duties, and other indirect taxes. It is also responsible for managing the import and export of goods and services into China.

ICP filing

Refers to internet content provider filing, required for non-commercial websites (which are purely informational and not involved in direct sales) with their own domain name that operate inside China, in line with the Telecommunication Regulations of the People's Republic of China.

ICP license

Refers to internet content provider license, required for commercial websites (that offer goods or services to customers) with their own domain name operating inside China, in line with the Telecommunication Regulations of the P.R.C.

IP

Intellectual property rights include: trademarks to distinguish your goods and services, patents for new inventions, and registered designs for the design of your products.

KOL

Key Opinion Leaders refer to influential public figures, whom people perceive as experts in certain fields. They are very popular in China and they are a powerful marketing tool for brands.

New Retail

New Retail can be defined as online and offline retail integration – essentially the link between ‘online discovery’ of products and actual commerce in the offline world through the use of experiential elements and technology. The purpose of new retail is to enhance overall operational efficiency and enhance customer experience.

O2O

Online-to-offline commerce is a business strategy that draws potential customers from online channels to physical stores.

POSM

Point of Sale Marketing refers to materials that are used to display or promote products at offline locations. These can include banners, posters, installations, or displays.

RO

Representative office.

SAIC

The State Administration for Industry and Commerce is responsible for advancing legislation concerning the administration of industry and commerce in China.

SEO

Search Engine Optimization is the process of affecting the visibility of a website or web page in a search engine’s unpaid results.

SME

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees.

TP

TPs are third-party management companies and are one of the most important partners in China’s e-commerce ecosystem. They manage the store pages of retailers in marketplace platforms such as Tmall. They also have relationships with the platforms and can assist in driving traffic to a brand’s page.

TVC

Television Commercials are advertisements shown on television, typically between breaks in programs.

VAT

Value-added tax is a type of tax imposed on the value added to a product, material, or service during manufacture or distribution.

VPN

Virtual private network is a network that uses a public telecom infrastructure such as the Internet to provide users with secure access to an organization’s network domestically or abroad. It ensures privacy through security procedures and tunneling protocols such as the Layer Two Tunneling Protocol (L2TP). Data is encrypted at the sending end and decrypted at the receiving end.

WFOE

Wholly foreign owned enterprise is the typical legal entity that foreigners establish to operate in China. It has a number of forms such as manufacturing or service WFOEs. Each WFOE is given a business scope at creation which determines the scope of activities it can engage in.



