

Cross-border Business

Summary :

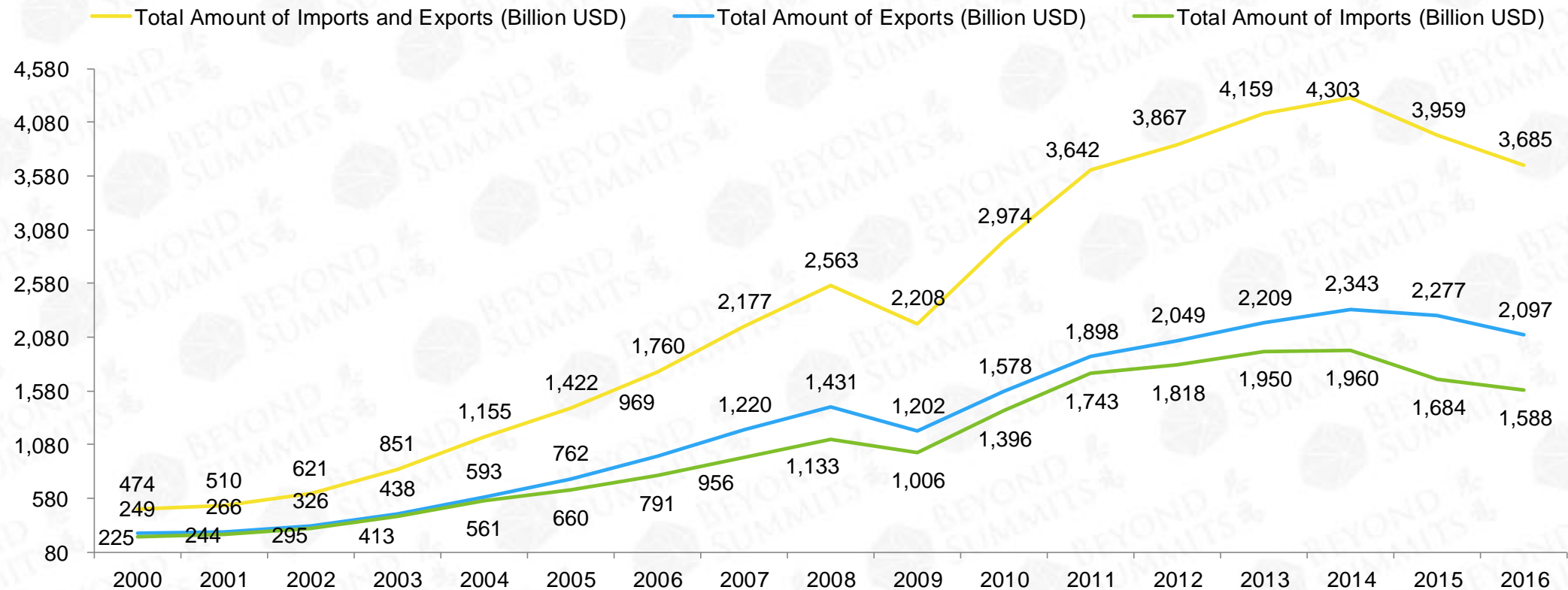
- In 2016, China's foreign trade import and export volume both declined. Nevertheless, China's export growth rate is still better than that of the world's major economies and emerging market countries.
- In 2016, the overall volume of China's import-export cross-border e-commerce (including retail and B2B) transactions reached 6.3 trillion yuan. By 2018, the overall size of China's import-export cross-border e-commerce transactions is expected to reach 8.8 trillion yuan.
- Cross-border electricity suppliers in China are mainly export-oriented. In the first half of 2016, the share of cross-border e-commerce exports in the total cross-border e-commerce transactions was 80.4%, while that of import transactions was increasing year by year.
- By business model, cross-border e-commerce in China is mainly dominated by B2B, with B2B accounting for 90.7% of the total cross-border e-commerce in the first half of 2016. However, as the retail business of cross-border e-commerce continues to grow, its share will gradually increase.

Summary :

- From 2016 to 2017, among China's cross-border e-commerce retail import sales volume, Netease Kaola.com accounted for 21.4%, ranking the first place in the market share, followed by Tmall.HK and vip.com.
- In 2016, the number of cross-border online shopping users in China reached 42 million, up 82.6% over the previous year. With the promotion of national policies, the improvement of logistics speed and the upgrading of consumption, it is estimated that in 2017, it will continue to grow to 59 million.
- Users still need some guidance in cross-border online shopping. Shopping guide websites are the most important ways for users to understand and access cross-border online shopping websites.

In 2016, China's foreign trade import and export volume both declined. Nevertheless, China's export growth rate is still better than that of the world's major economies and emerging market countries. It should be noted that the import and export volume in processing trade and traditional labor-intensive products have dropped dramatically.

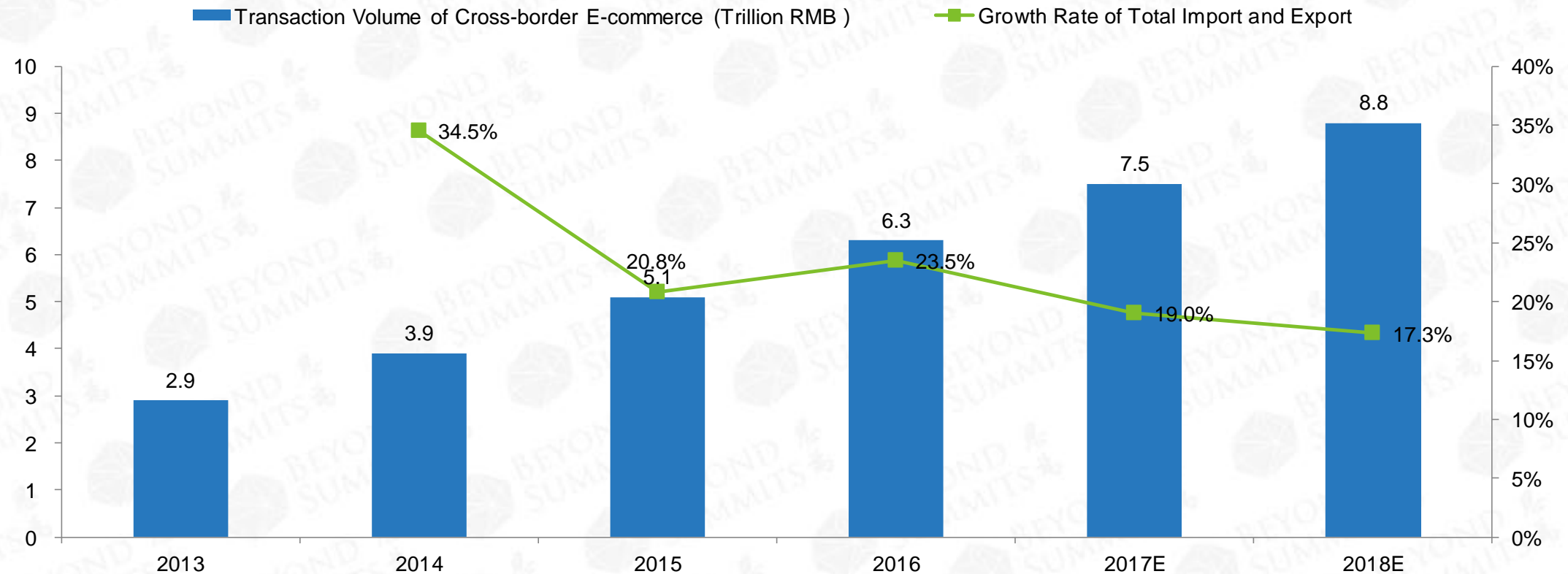
China's Total Amount of Both Import and Export



Source: National Bureau of Statistics of the People's Republic of China

In 2016, the overall volume of China's import-export cross-border e-commerce (including retail and B2B) transactions reached 6.3 trillion yuan. By 2018, the overall size of China's import-export cross-border e-commerce transactions is expected to reach 8.8 trillion yuan.

Transaction Volume of Cross-border E-commerce & Prediction



Source : Ministry of Commerce, The General Administration of Customs, iiMedia Research

Four Driving Forces of China's Cross-border E-commerce

Technical Progress

- The popularity and development of Internet, cloud computing, and intelligent terminal
- The optimization of payment and logistics system
- C2B/C2M Consumers' demand boosting the large-scale production



Industry Support

- The number of small and medium-sized enterprises focusing on foreign trade was about 5 million, contributing 60% of the total foreign trade volume
- World-class technology and manufacturing



Consumption Upgrade

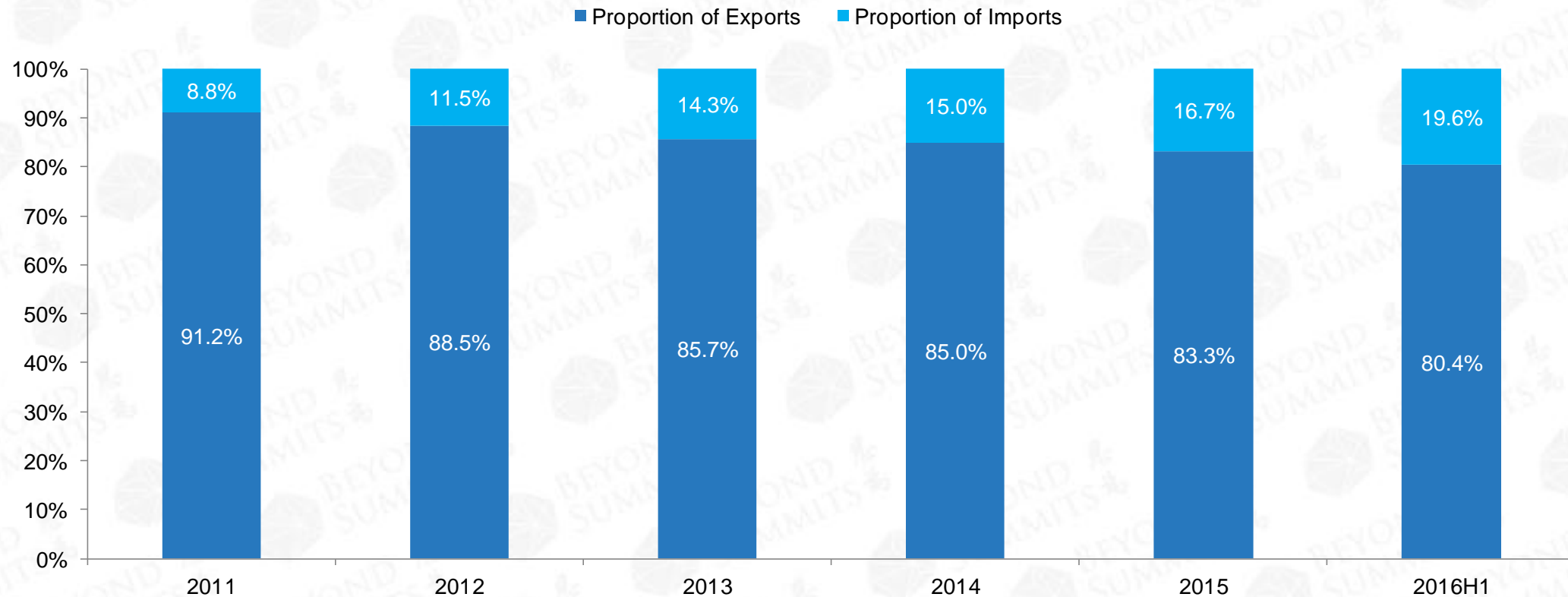
- The number of online shopping users reached 467 million in 2016
- Nearly 0.2 billion households with an income of middle and upper class

Credit Guarantee

- Online deals guaranteed
- Good credit, in turn, boosts the deals, forming a virtuous cycle.

Cross-border electricity suppliers in China are mainly export-oriented. In the first half of 2016, the share of cross-border e-commerce exports in the total cross-border e-commerce transactions was 80.4%, while that of import transactions was increasing year by year.

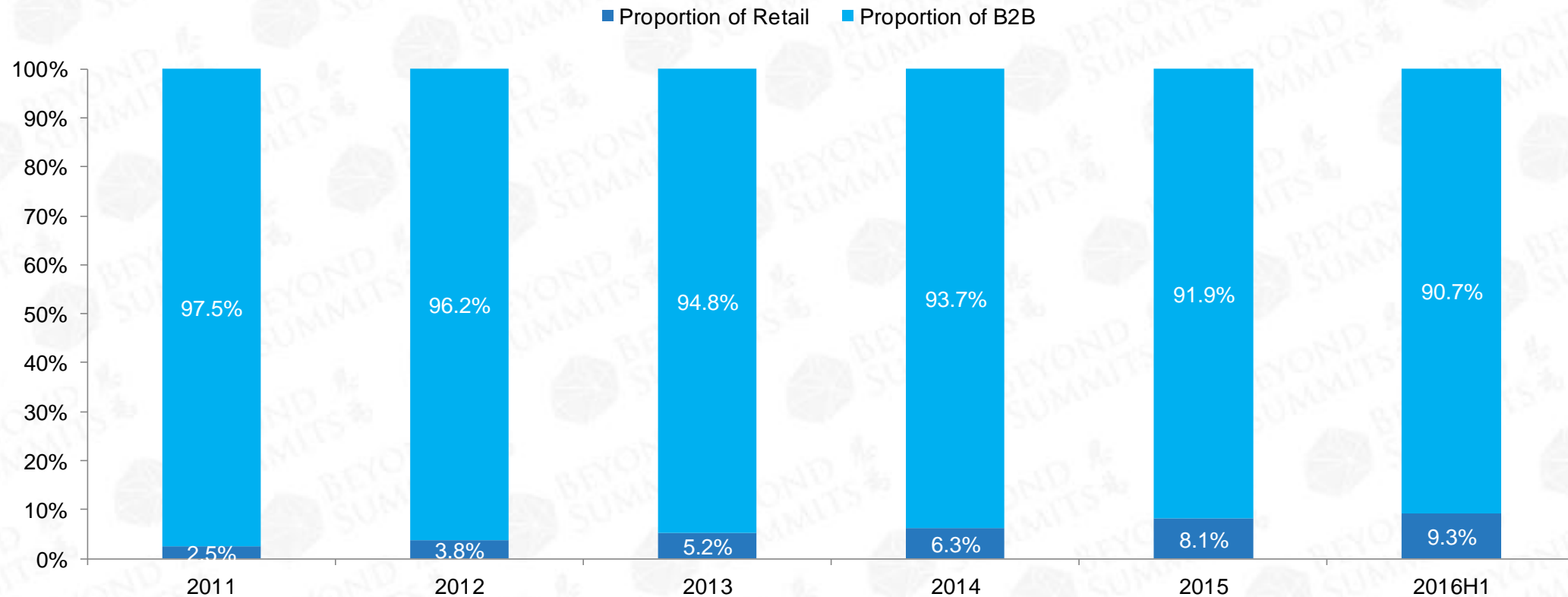
The Ratio of Imports and Exports in China's Cross-border E-commerce



Source: National Bureau of Statistics of the People's Republic of China, China E-commerce Research Center

By business model, cross-border e-commerce in China is mainly dominated by B2B, with B2B accounting for 90.7% of the total cross-border e-commerce in the first half of 2016. However, as the retail business of cross-border e-commerce continues to grow, its share will gradually increase.

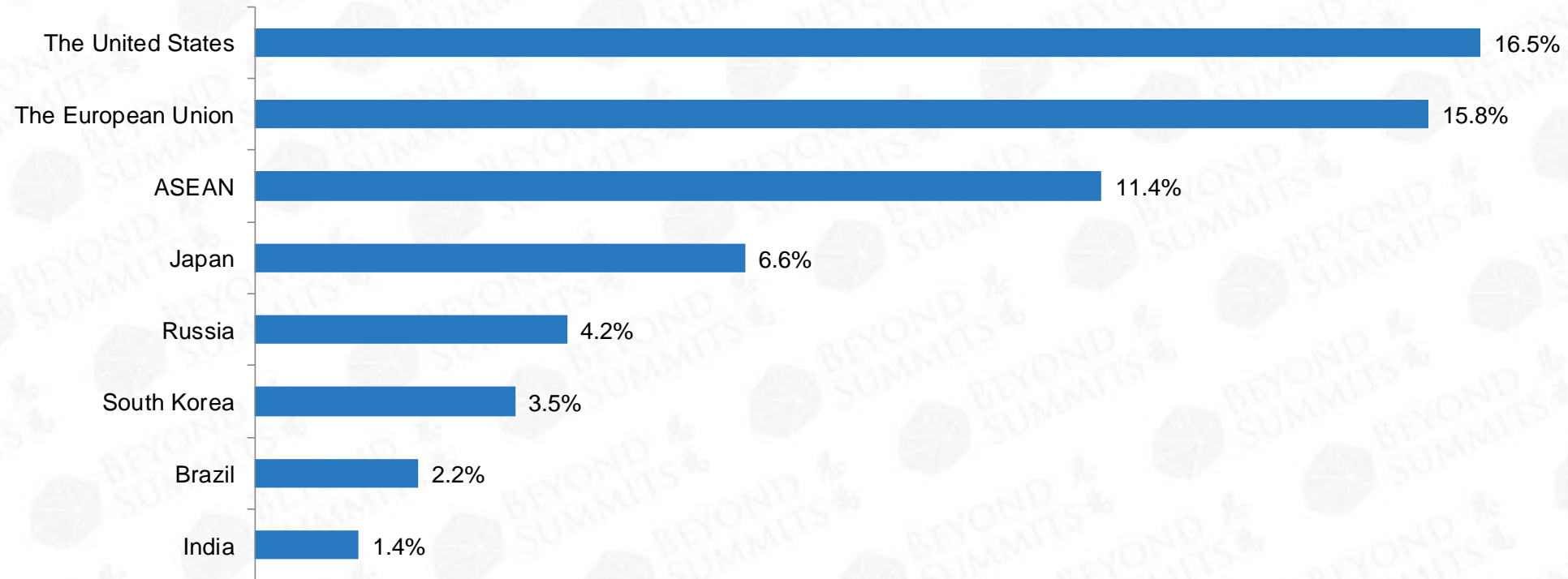
The Ratio of Retail and B2B in China's Cross-border E-commerce Sales Volume



Source: National Bureau of Statistics of the People's Republic of China, China E-commerce Research Center

Among exporting countries of China's cross-border e-commerce, the United States ranked first, accounting for 16.5% of the total transaction value, followed by the EU and ASEAN. Of course, emerging markets such as Russia, Brazil and India are also showing rapid growth.

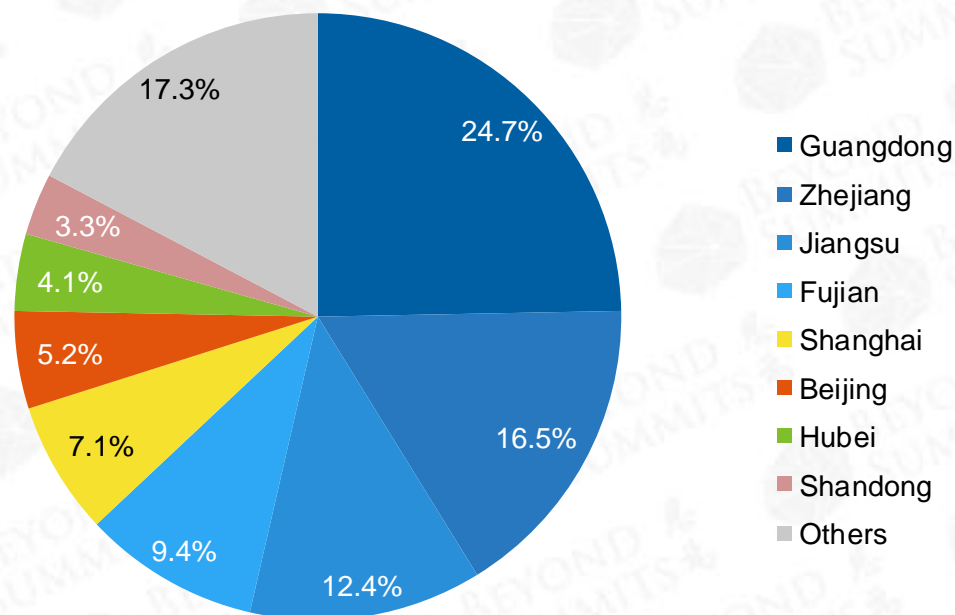
Exporting Countries of China's Cross-border E-commerce (2015)



Source : China E-commerce Research Center

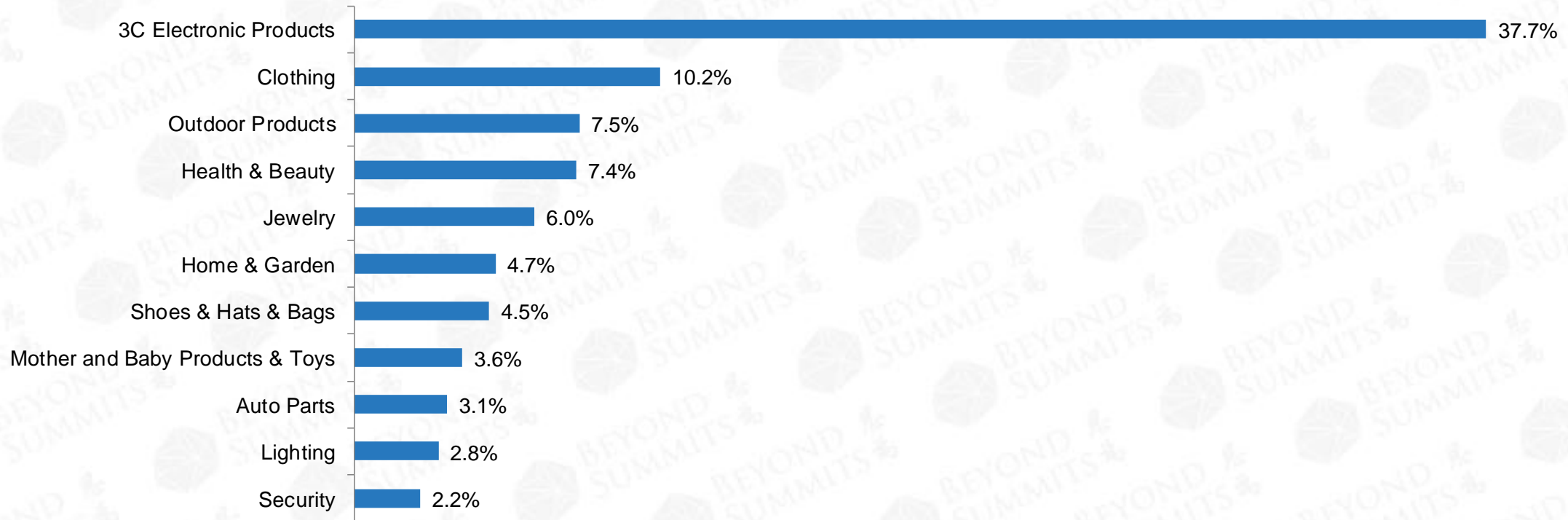
Guangdong has a huge economic foundation, a highly concentrated manufacturing base and an abundant reserve of foreign trade talents, making it an area where export cross-border E-commerce sellers gather, accounting for 24.7% of the total. The second is the Yangtze River Delta region, Zhejiang and Jiangsu in particular, which boasts developed light industries basis, including clothing, shoes and hats and home products.

Geographical distribution of China Export Cross-border E-commerce Sellers (2015)



3C electronic products, clothing, and outdoor products dominated China's cross-border e-commerce export products in 2015, mainly due to their low costs and high standardization.

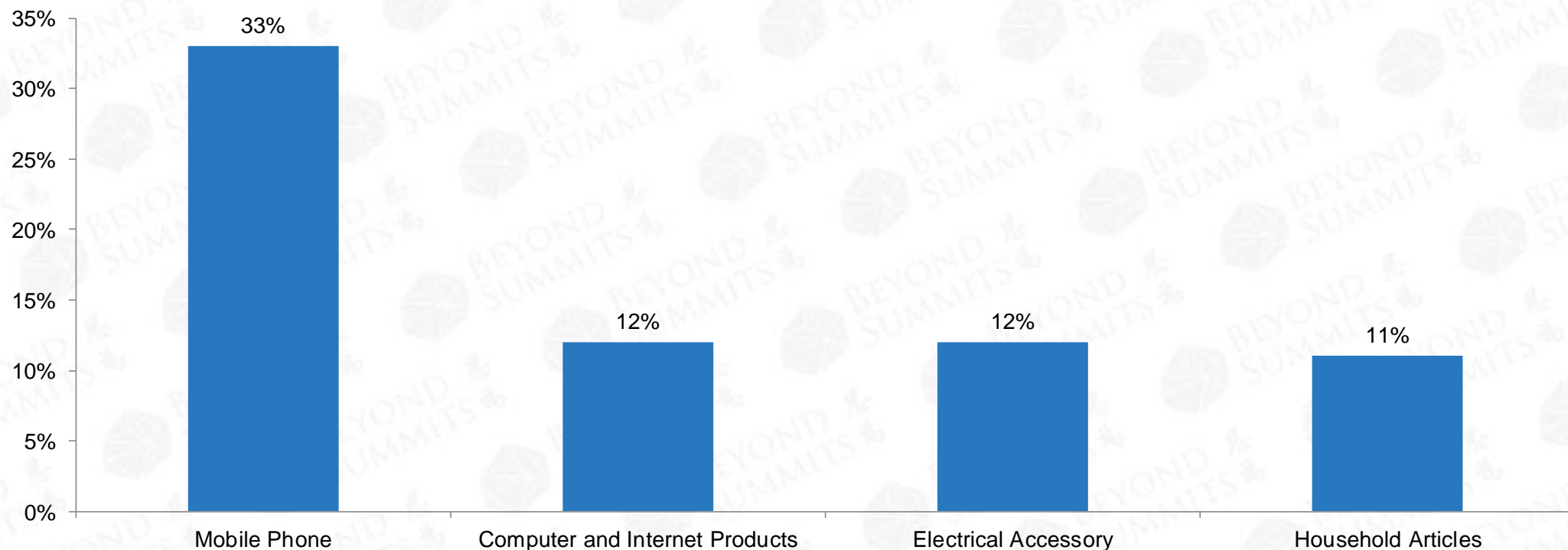
Categories of China's Cross-border E-commerce Export Products in 2015



Source : China E-commerce Research Center

The most popular Chinese products in overseas market was mobile phones, accounting for 33% of the total, while the proportion of computer and Internet products, and electrical accessory reached 12%.

The Most Popular Chinese Products in Overseas Market



Source: The Trend Report of "The Belt and Road" Cross-border E-commerce Consumption

The Most Popular for Overseas Consumers

Countries Buying Chinese Tea Most

Russia, Ukraine, Belarus,
Poland, Italy

Countries Buying Chinese Kitchen and Restaurant Supplies Most

Russia, Poland, Ukraine,
Turkey, Australia

Countries Buying Chinese Mobile Phone and Electricity Accessory Most

Russia, Ukraine, Poland,
Belarus, Turkey

Countries Buying Chinese Intelligent Products Most

Russia, Poland, Ukraine, Turkey,
Australia, Spain, Kazakhstan

Countries Buying Chinese Dress and Clothing Most

Russia, Ukraine, Poland, Australia, Kazakhstan,
Moldova, Turkey

Countries Buying Chinese Books Most

USA, Australia, Ireland, New Zealand,
UK, France, Canada, Singapore, Switzerland

National Policy Support for Import Cross-border E-commerce

2012

Approve Zhengzhou, Shanghai, Chengdu, Chongqing, and Hangzhou as the first batch of Cross-border E-commerce pilot cities

2013

Convenient customs clearance for Cross-border E-commerce

2014

Legalization of Cross-border Imported E-commerce, clarify to levy personal postal articles tax for bonded imports

2015

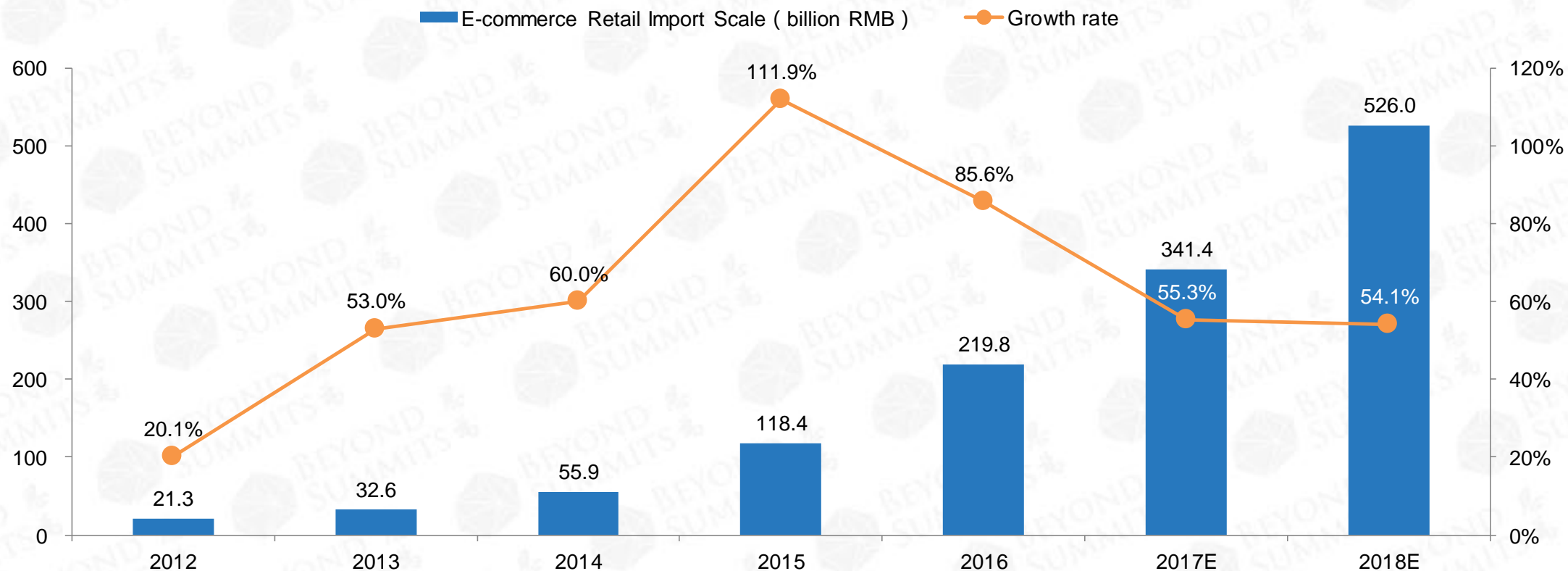
Regulate import tax policy, and reduce some commodities' tariff

2016

Implement new tax policy for cross-border e-commerce retail imported products, and introduce the "April 8" New Policy.

With the liberalization of import e-commerce retail policies in the second half of 2014, a large number of domestic trade e-commerce and start-ups poured into the import e-commerce retail market. It is expected that in the next few years, the import e-commerce retail market will still maintain a certain growth rate and the market size is expected to reach 5,260.4 billion yuan by 2018.

The Scale and Growth Rate of China's E-commerce Retail Imports Market

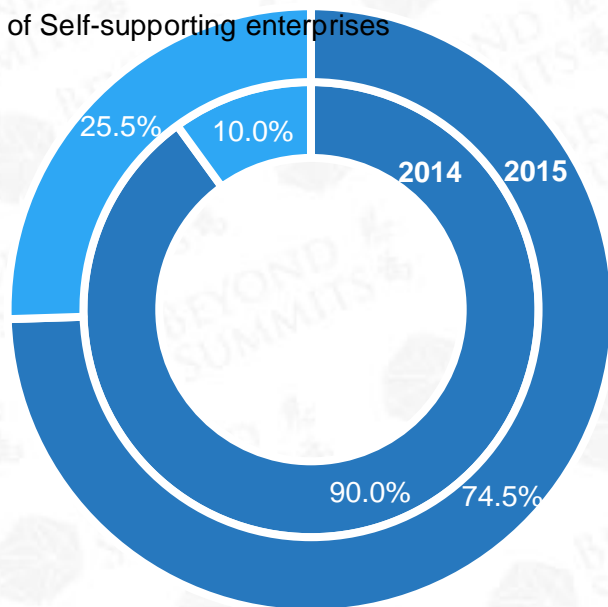


Source : iResearch

China's enterprises with import retail e-commerce market platform started earlier and therefore accounted for a larger proportion, but as the number of self-supporting enterprises increased, its market scale gradually expanded. In addition, domestic trade E-commerce retailers still account for a large share of China's import retail e-commerce market, but the proportion of independent cross-border E-commerce businesses is still on the rise.

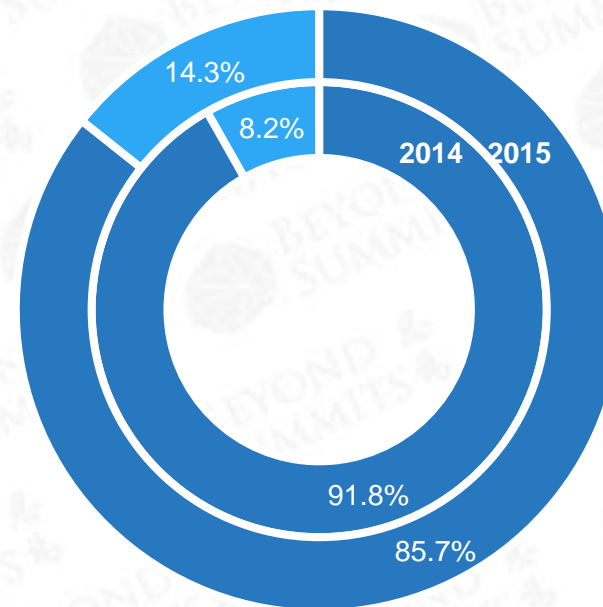
Structure of China's Import Retail E-commerce Enterprises (2015)

- Proportion of enterprises with import retail e-commerce market platform
- Proportion of Self-supporting enterprises



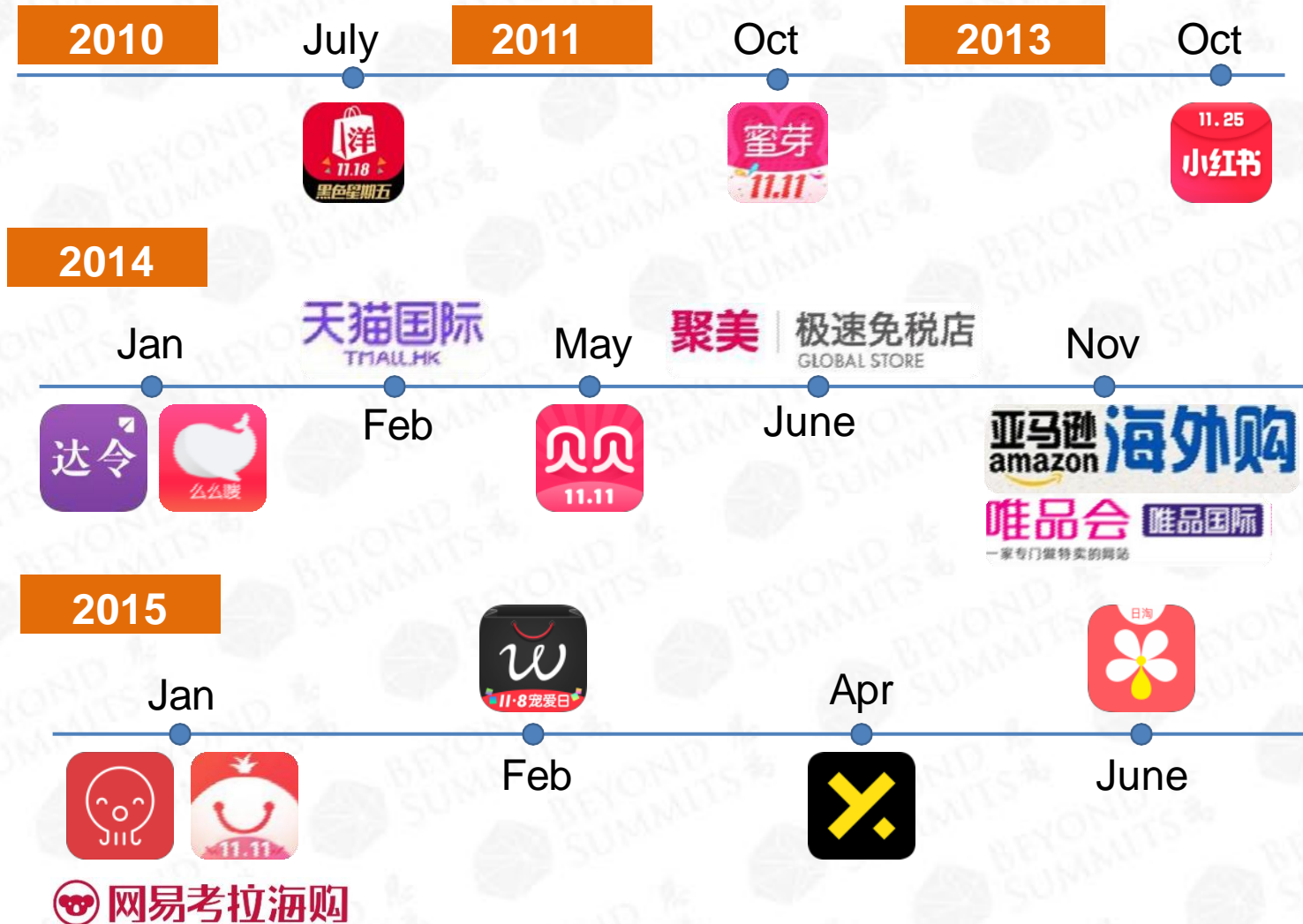
Category of China's Import Retail E-commerce Enterprises (2015)

- Proportion of Domestic E-commerce
- Proportion of Independent Cross-border E-commerce



Source : iResearch

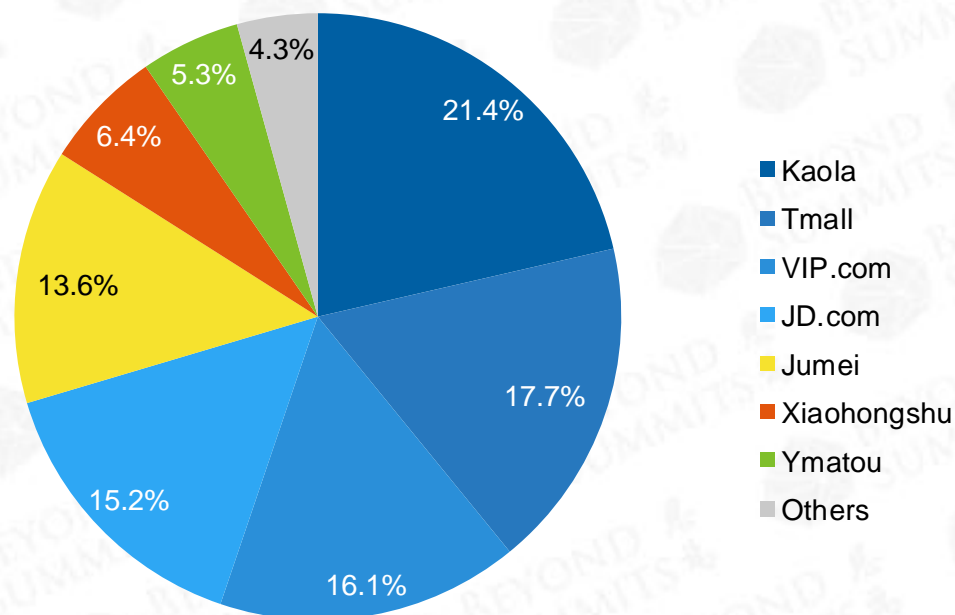
Developing Process of China's Cross-border Import E-commerce Platform



Source : China E-commerce Research Center

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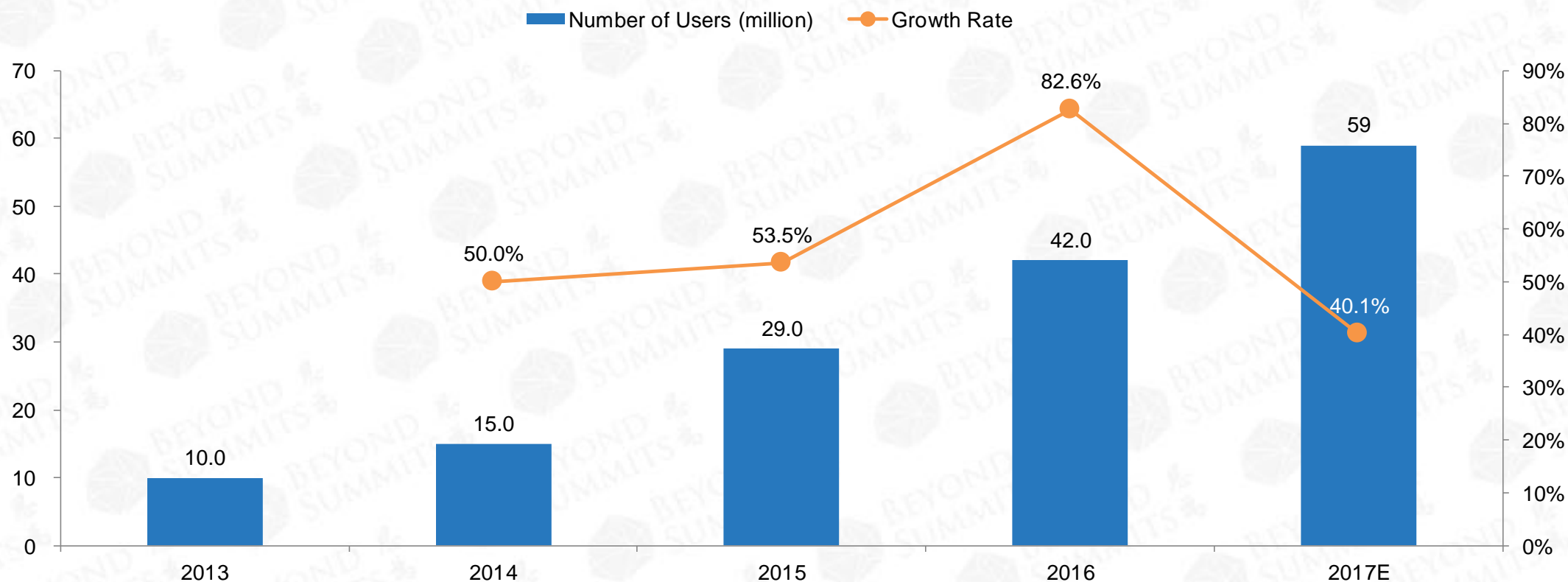
Market Share of China's Cross-border E-commerce Import Retail Platform, 2016-2017



Source : China E-commerce Research Center

In 2016, the number of cross-border online shopping users in China reached 42 million, up 82.6% over the previous year. With the promotion of national policies, the improvement of logistics speed and the upgrading of consumption, it is estimated that in 2017, it will continue to grow to 59 million.

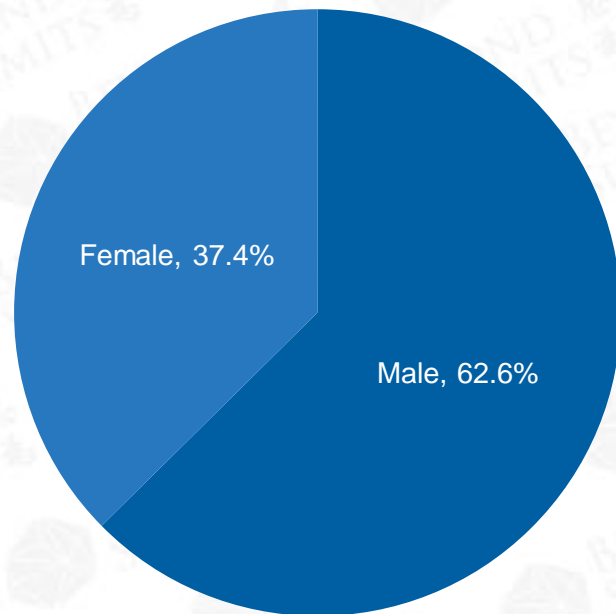
Number of China's Cross-border Online Shopping Users



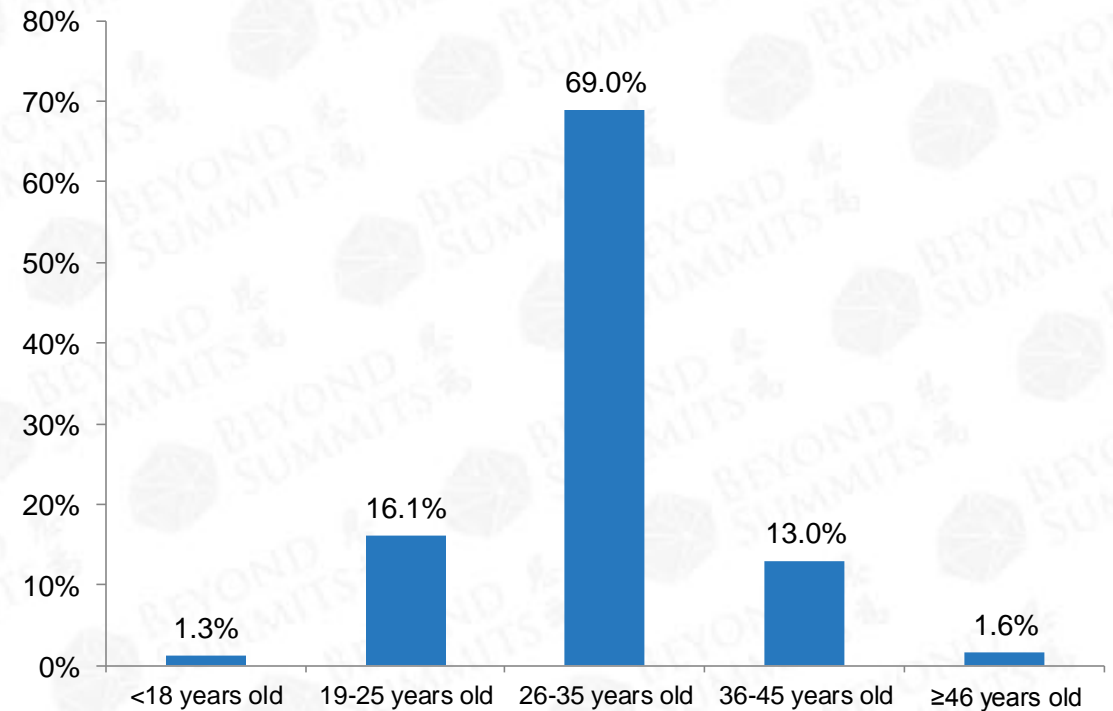
Source : China E-commerce Research Center

In 2016, male consumers tended to shop cross-border more than female consumers. Among the age distribution, 26-35 year-old users have a certain economic base, and have strong spending power and high demand. Therefore, they are more keen on cross-border online shopping.

China's Cross-border Online Shopping Users' Gender Distribution in 2016



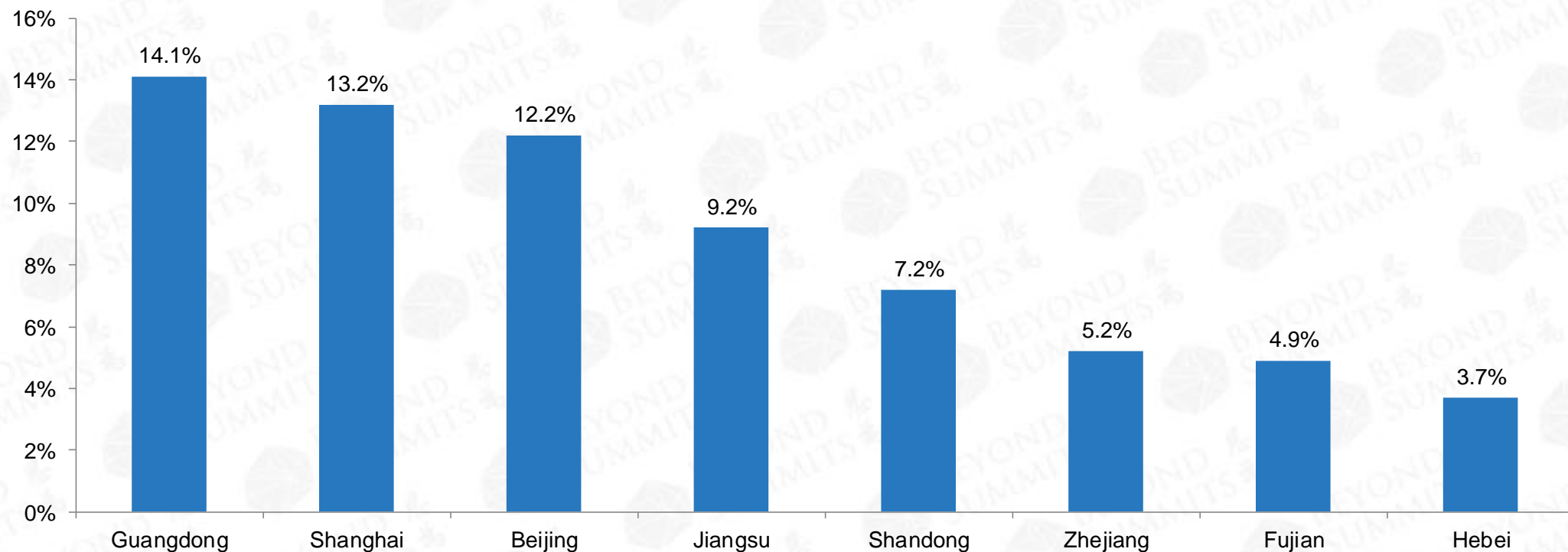
China's Cross-border Online Shopping Users' Age Distribution in 2016



Source : China E-commerce Research Center

In 2016, cross-border online shopping users in China mainly concentrated in the eastern region. Cities in the eastern region were supported by national policies the earliest. Moreover, more developed economy, earlier starting of cross-border E-commerce, and stronger consumption power in eastern region were also positive factors. Among these cities, Guangdong accounted for the highest proportion, at 14.1%, followed by Shanghai and Beijing.

China's Cross-border Online Shopping Users' Region Distribution in 2016

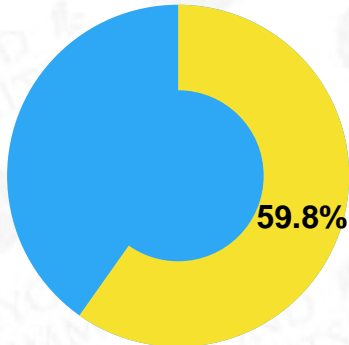


Source : China E-commerce Research Center

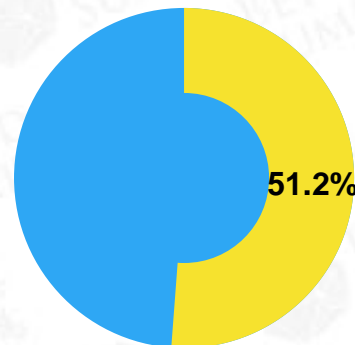
Users still need some guidance in cross-border online shopping. Shopping guide websites are the most important ways for users to understand and access cross-border online shopping websites.

Approaches Internet Users Learn about Cross-border Online Shopping in 2016

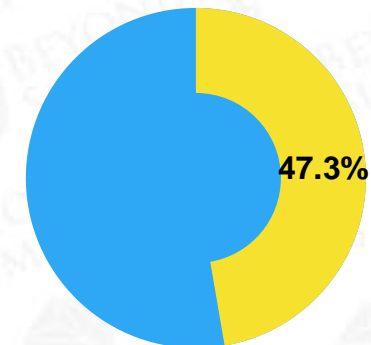
Shopping Guide Websites



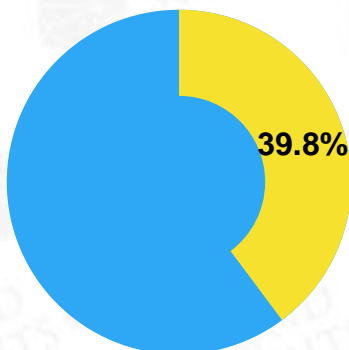
Recommendation by Relatives or Friends



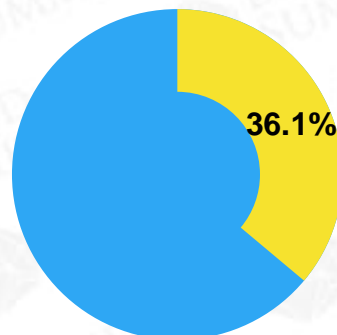
Online Searching



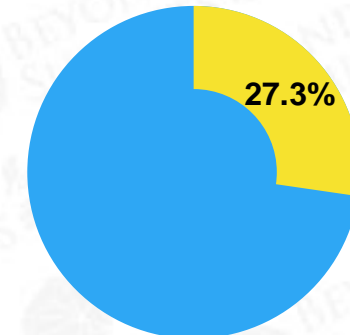
Social Media



Internet Ads



Media Coverage

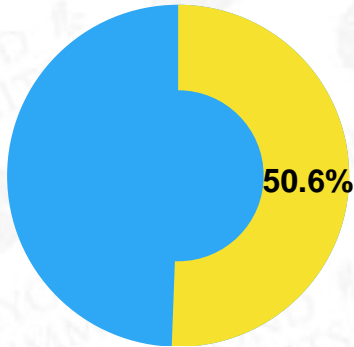


Source : iResearch

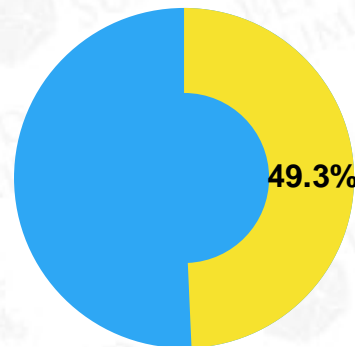
Internet users still need some guidance in cross-border online shopping, and guide websites were necessary for them to get to know about cross-border shopping websites.

The Way Internet Users Visit Cross-border Shopping Websites in 2016

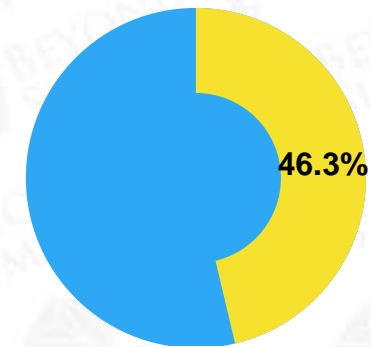
Shopping Guide Websites



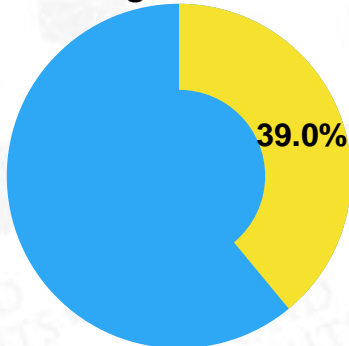
Input Website URL



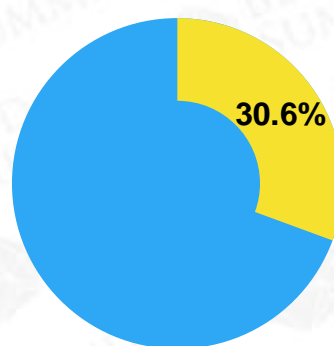
Personal Favorites



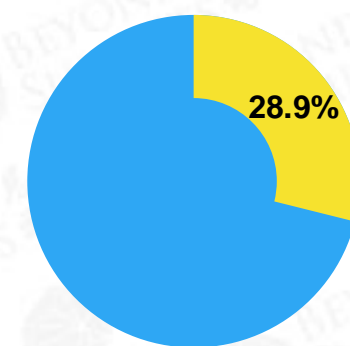
Search Engine Searching



Social Media Link



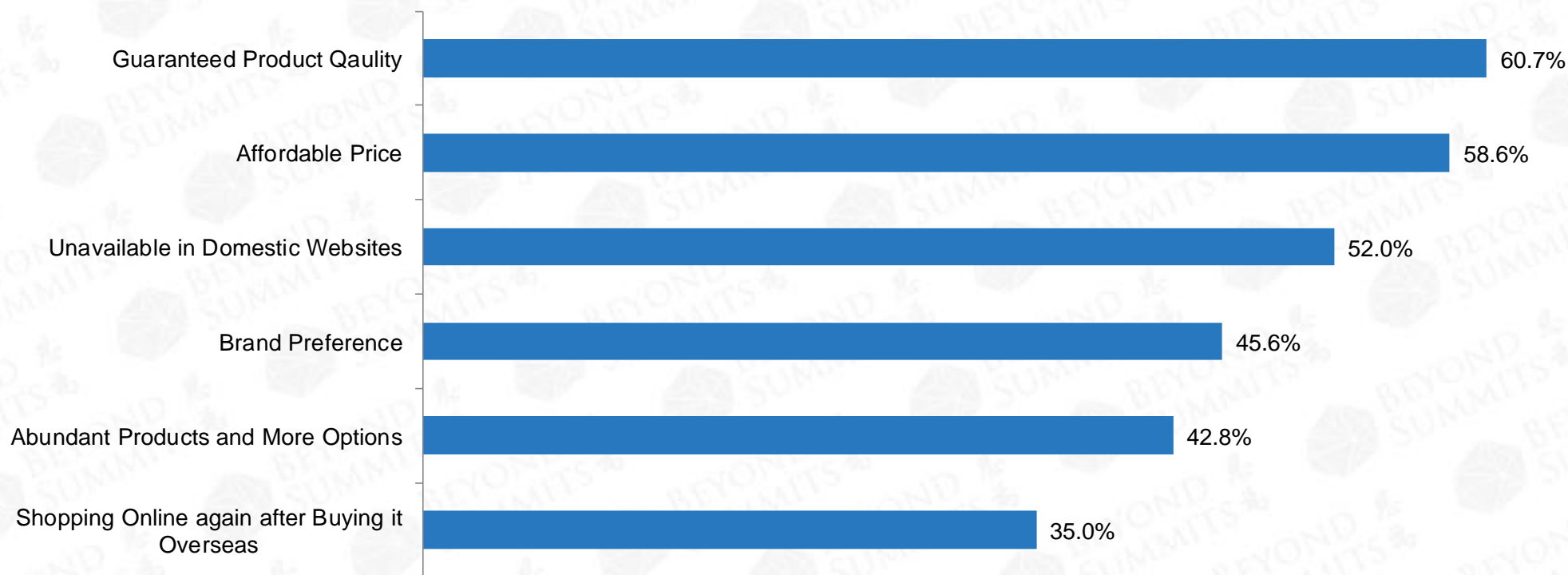
Link in Promotion Mail



Source : iResearch

Quality assurance, affordable prices, product uniqueness and brand preference are the main reasons for cross-border online shopping.

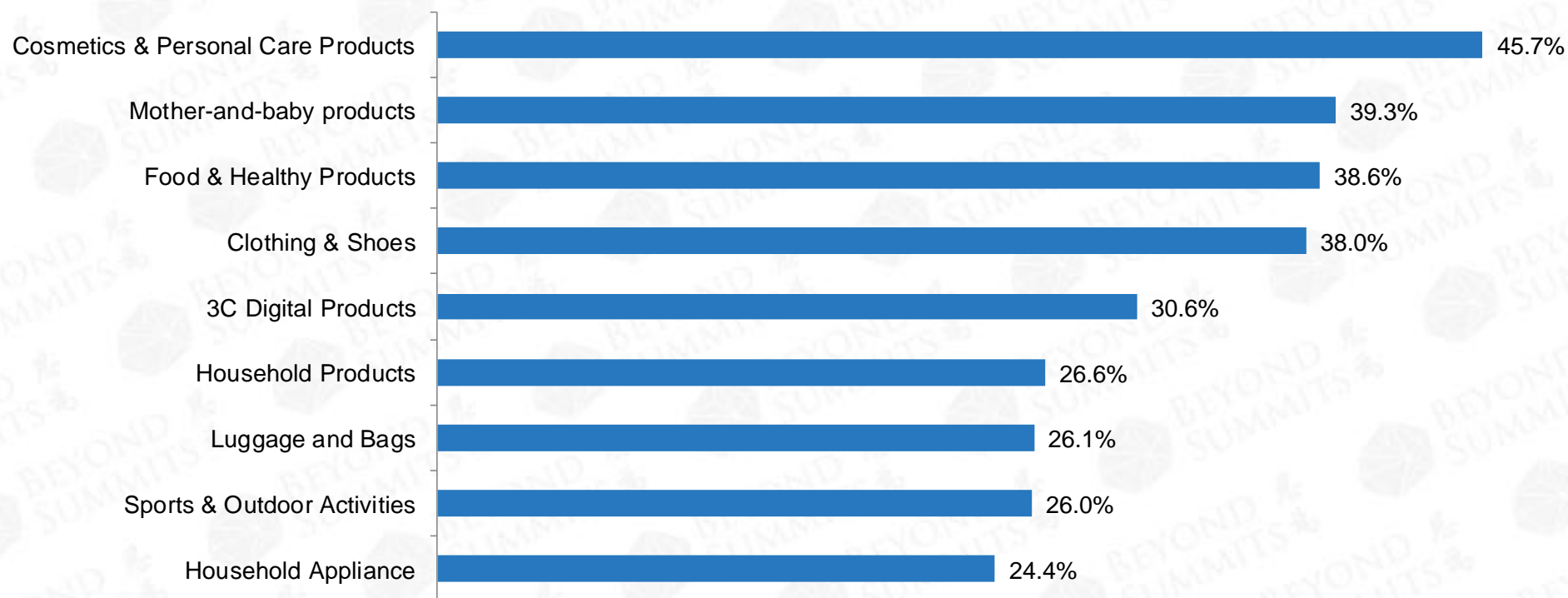
Main Reasons for Cross-border Online Shopping in 2016



Source : iResearch

Cross-border online shopping users prefer to buy cosmetics and personal care products, mother-and-baby products, food, healthy products, and other categories that have a relative high requirements on safety and quality.

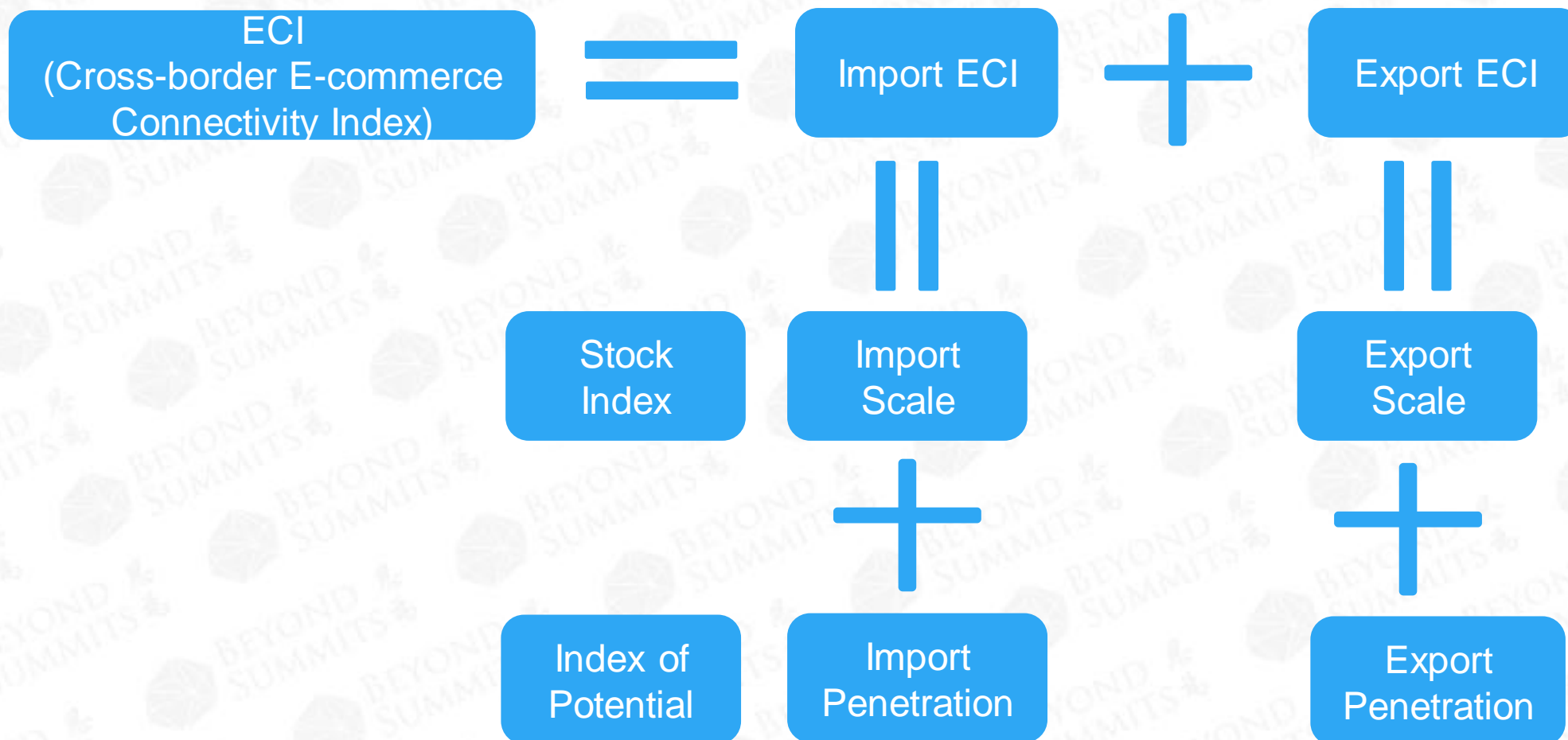
Top 10 Categories of Cross-border Online Shopping in 2016



Source : iResearch

- The E-commerce Connectivity Index between China and Major Economies (ECI) refers to the connectivity index of cross-border e-commerce between China and other major economies. It aims to reflect the close connection between China and other countries in cross-border e-commerce.
- At present, the trade volume of the G20 accounts for 80% of the world's total. The trade volume between China and the G20 countries accounts for more than 50% of the total import and export volume of China.
- According to the ECI value, the G20 countries can be divided into three groups: strong connectivity countries, medium connectivity countries, and weak connectivity countries.
 1. Strongly connectivity countries are mainly those with ECI above 40 points. These countries have very frequent trade with China through cross-border e-commerce, strong connectivity both in imports and exports, and relatively balanced import and export ECI.
 2. Medium connectivity countries mainly refer to countries with ECI of 21-40. These countries have more trade with China through cross-border e-commerce, stronger connectivity in one aspect of imports and exports, and unbalanced import and export ECI.
 3. Weak connectivity countries mainly refer to countries with ECI of 20 points or less. These countries have less trade with China through cross-border e-commerce, with lower import and export ECI, especially for import index.

Calculating Method of ECI Index



China's Cross-border E-commerce Connectivity Index with G20 Countries

G20 Countries	Import ECI	Export ECI	ECI (Cross-border E-commerce Connectivity Index)
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The United States	45	37	82
The UK	35	30	65
Australia	30	25	55
France	32	22	54
Italy	27	18	45
Japan	39	5	44
Canada	7	35	42
Germany	23	16	39
South Korea	25	7	32
Russia	1	31	32
India	1	30	31
Turkey	1	28	29
Brazil	1	22	23
South Africa	1	22	23
Mexico	0	13	13
Indonesia	1	12	13
Argentina	0	11	11
Saudi Arabia	0	3	3

Strong
Connectivity
Countries


Medium Connectivity
Countries

Weak Connectivity
Countries

Source : Aliresearch

The market has been further expanded, and the competition between different platforms has intensified.

Affluent categories guarantee the quality of products.



Trend of China's Cross-border E-commerce

Disappeared policy dividends, and more standardized supervision.

Enhanced logistics level and improved user experience.



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