

magento **live**  
AUSTRALIA 2013



# **E-Commerce International**

## **Strategies for Online Retailers going local in China and Eastern Asia**

**Patrick Deloy**

*Founder & Executive Director, Bluecom Group*

# **E-Commerce Soars in China**

NYTimes.com, May 2013

## **China – A Booming Market: 66,5% E-Commerce Growth**

E-Commerce Lounge, April 2013

**Almost overnight, China has become the  
world's second-largest e-tail market**

China's e-tail revolution, McKinsey & Company, March 2013



# Overview

- ❖ Why China / East Asia?
- ❖ What are the challenges?
- ❖ Case Studies
  - ❖ Bluebell / Brand Distributor (Multiple Deployment)
  - ❖ ebay / Paypal (Virtual Product)
  - ❖ Groupe Adeo / Homes-Up (Multi-Channel)
  - ❖ Racingtheplanet.com (Pure Player)
- ❖ Now or never?



# Why China / East Asia?

What makes the Greater China and East Asia online markets especially attractive to foreign online merchants

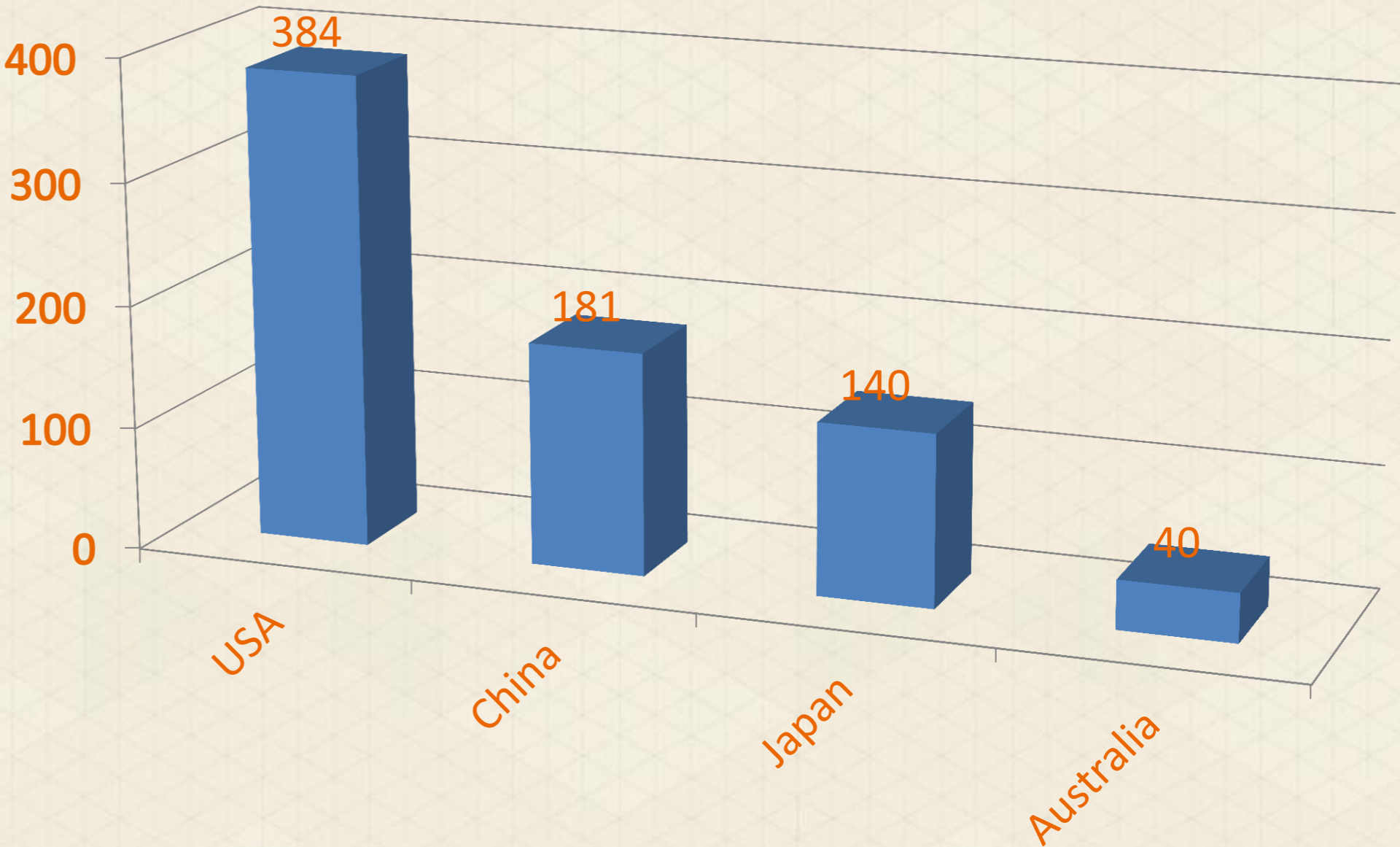


# Why China / East Asia?

## B2C Online Sales

**B2C Online Sales**  
(in bn USD, 2013)

- ❑ China's B2C E-Commerce Market is half as large as the Online Market in the US
- ❑ 4.5x larger than Australia's B2C E-Commerce Market
- ❑ Important: Only B2C (70% of the E-Commerce Market in China is primarily C2C)

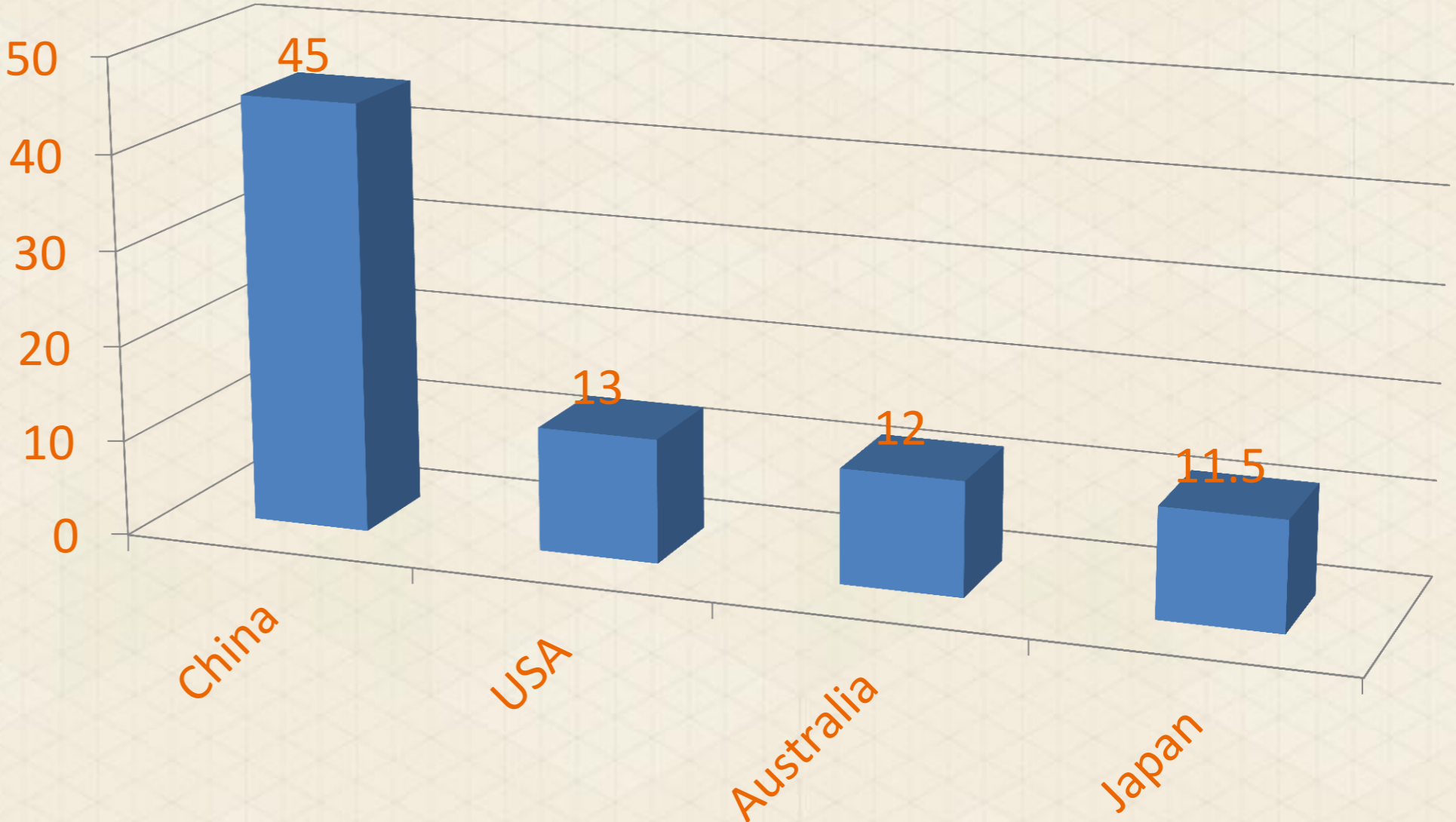


# Why China / East Asia?

## B2C Online Sales - Growth (in %, Average 2011-2013)

### B2C E-Com Growth

- ❑ Rapid market growth of China's B2C E-Commerce (120% per annum since 2003)
- ❑ China's E-Commerce Market will overtake that of the US in three years
- ❑ China's E-Commerce Market in 2020 will be larger than that of the USA, UK, DE, FR, and JP together



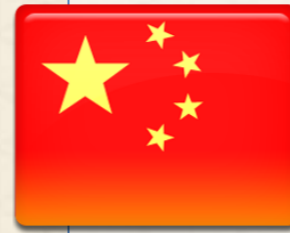




# Why China / East Asia?

## Favorite Product Categories

- ❑ Clothing and cosmetics are the most popular product categories in China B2C/C2C sales
- ❑ Media plays a minor role (i.e. state controlled)



### China

- Apparel
- Cosmetics
- Electronics



### USA

- Apparel
- Food
- Media



### Australia

- Media
- Apparel
- Electronics



# Why China / East Asia?



**Bluecom**  
The E-Commerce Experts

## Foreign Products in China

- ❑ Foreign products especially in Tier 2/3/4 cities are the most popular products on the Internet (since no physical local stores available)
- ❑ 60% of all foreign products in China are purchased Online (Premium Products - Trust!)





# Why China / East Asia?



**Bluecom**  
The E-Commerce Experts

## Trend to Online vs. Offline

- ❑ Physical stores (Brick & Mortar Stores) have become very expensive and good locations are rare (especially in Tier 1 cities)
- ❑ 10-20% Lease price increases per annum in Tier 1 cities





# Why China / East Asia?



**Bluecom**  
The E-Commerce Experts

## Trend to Online vs. Offline

- ❑ Trend to direct Online Strategy / Showroom Concept (Warehousing)
- ❑ E-Commerce in China replaces ~ 60% of the physical resellers (Conversely: 40% more revenue)





# Challenges

A specific view on obstacles that  
online merchants have to overcome  
to sell successfully in China



# Challenges



**Bluecom**  
The E-Commerce Experts

## E-Commerce in China for Foreign Companies





# Challenges



## Product Import and Certification

- Tax at Import
  - Value Added Tax VAT – 13%-17%
  - Consumption Tax CT – Between 1%-45% based on product (i.e. luxury products..)
  - Custom Duties – Based on product (currently approx. 8,500 Products)
- Certification
  - CCC (Machines, Electronics)
  - Food Certifications
  - Sensitive Areas (Media, Software,...)



# Challenges



## Legal Licenses / Restrictions

- Local set-up as...
  - Representative Office (RO) – no local sales allowed
  - Wholly Foreign Owned Enterprise (WFOE) und Foreign Invested Commercial Enterprise (FICE) – Various Licenses, high capital investment requirement
  - Joint Venture (JV) – Equity or Contract Based. Requires local partner
- Internet Content Provider (ICP) License
  - Required for local hosting in China
  - Application via local hosting company



# Challenges



## Technical Implementation

### Markets and Multibrands

- Taobao (C2C, 70% Marketshare)
- Tmall (B2C, „Corner Shops“)
- JinDong (jd.com), Suning, Dangdang, 51buy, Amazon (z.cn),...

### Stand-Alone E-Commerce

- For the last 3-5 years: Mostly Java/ASP local proprietary implementations
- Today: Magento increasingly popular as B2C/Brand Commerce Solution





# Challenges

## Hosting

### Great Firewall of China

- Speed disadvantages when hosted outside of China
- Worst case scenario:  
Blockage
- Problems with:
  - Payment methods
  - Logistic follow through
  - Social Networks
  - Etc.

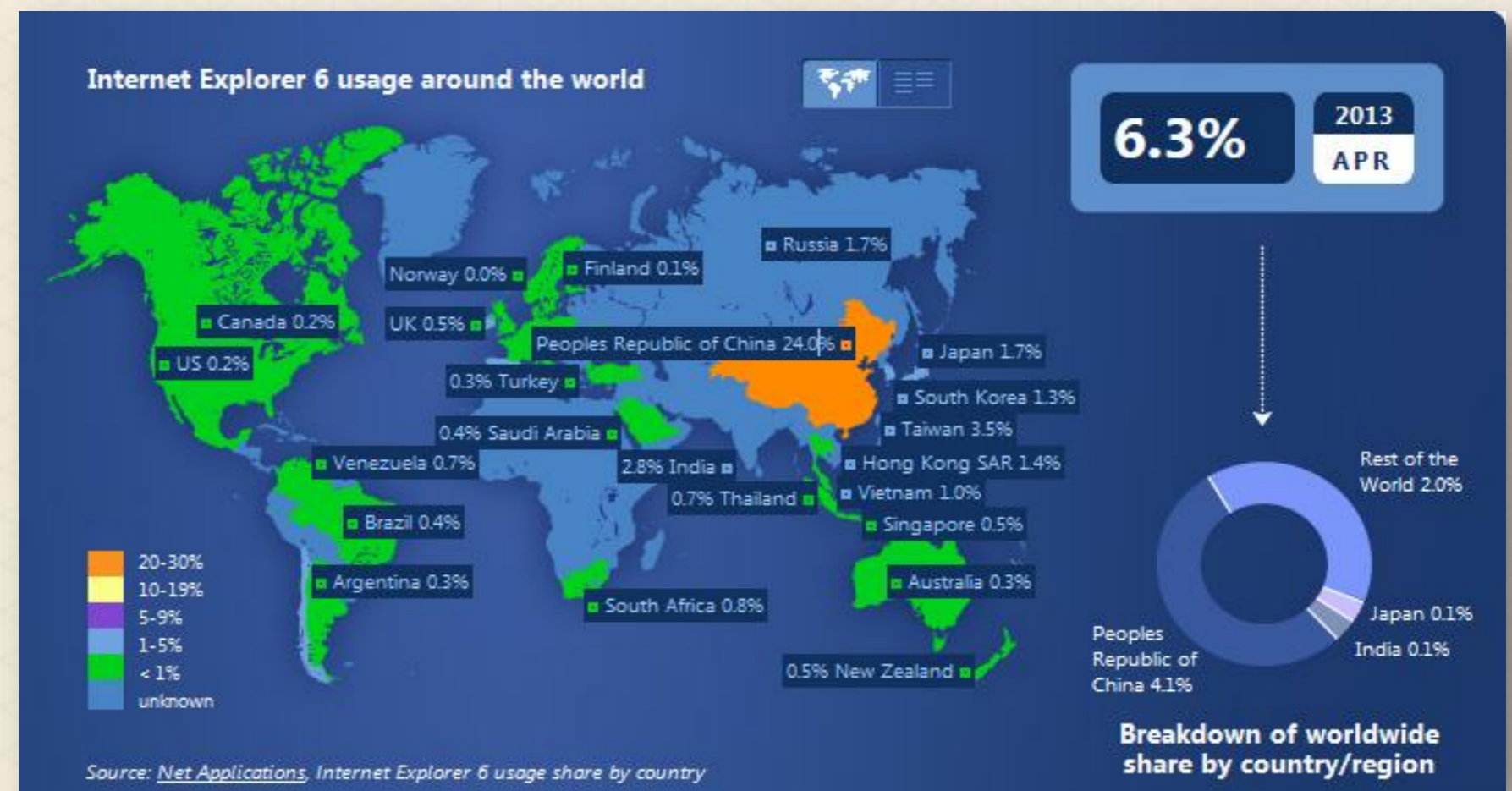




# Challenges

## Browser und Mobile

- ❑ April 2013: IE6 still important with 10-20% market share
  - ❑ Problem for newer Technologies (HTML5, CSS3), Responsive Design
  - ❑ Basic Optimization for IE6/7 is required, where necessary specific Mobile templates





# Challenges

## Payment Methods

- Payment Gateways are Predominant
  - Alipay
  - Tenpay
  - 99Bill
  - NO Paypal
- 3 Payment Forms
  - Pre-Paid Account
  - Direct Debit
  - Direct Account Payment





# Challenges



**Bluecom**  
The E-Commerce Experts

## Payment Alternatives

- Cash on Delivery (COD)
  - Very popular (Trust)
  - Escrow as Standard for Alipay
- Pick up / Payment in Offline Store
  - Within a Multi-Channel Strategy
- Convenience Store Payment
  - Used mostly in Southeast Asia
- Credit Cards
  - Not widespread, reluctantly used





# Challenges



## Logistic / Delivery

### Local Vendors

- SF Express, EMS, Shentong, etc.
- Quick and inexpensive (same day delivery)
- But not too reliable

### International Vendors

- UPS, DHL, etc.
- Required for international deliveries
- More expensive, but better SLA





# Challenges



**Bluecom**  
The E-Commerce Experts

## Checkout Process

### Input Fields

- Only one name field
- Desired delivery date/time
- City-District
- Etc.

### Legal Guidelines

- Legal forms provided by authorities (printed by reseller)
- Fapiao (Official Invoice) – additional information and input fields required

建筑业统一发票 (电子) 电子发票 手写无效

发票代码 242011020220  
发票号码 00177271

|                           |                          |                    |                 |                            |             |
|---------------------------|--------------------------|--------------------|-----------------|----------------------------|-------------|
| 密 码 区                     | 62175023931691000000     | 二 维 码              |                 | 企 业 文 化                    | 诚信纳税        |
| 查询码                       | 2010 0521 0957 4627 2842 |                    |                 |                            |             |
| 付款方名称                     | 中国电信集团公司湖北网络资产分公司        | 身份证号/组织机构代码/纳税人识别号 | 420112679750448 | 是否办总包人                     | 否           |
| 收款方名称                     | 中国通信建设第三工程局有限公司          | 身份证号/组织机构代码/纳税人识别号 | 420103177727600 | 是否办分包人                     | 否           |
| 工程项目名称                    | CDMA基站优化整治项目(HWY-10-01)  | 工程项目编号             | (HWY-10-01)     | 结 算 项 目                    | 整治项目        |
|                           |                          |                    |                 | 金 额 (元)                    | 533490.18   |
| 合计金额(元×大写) * 伍拾叁万叁仟肆佰玖拾元整 |                          |                    |                 |                            | ¥ 533490.18 |
| 242001020220              |                          | No 00253801        |                 | 武汉市江岸区地方税务局第一税务所 201030013 |             |
| 24200102022000253801      |                          | 开票人: 胡美玲           |                 | 开票日期 2010-05-21            |             |

发票专用章



# Challenges



## Social Networks

- ❑ Online shoppers in China base their buying decision mainly on the opinion of their network
  - ❑ No trust in Institutions / Companies
- ❑ Close involvement of SNEs and Shopping Sites
  - ❑ April 2013: Alibaba buys 18% share of Weibo for US\$586m
- ❑ Reputation Management
  - ❑ Controlling the feedback from social networks
  - ❑ Active Engagement by KOLs





# Challenges

## Social Networks „Western“ World



Facebook



Twitter



Youtube



## China



Kaixin, Renren, Weixin, etc.



Weibo



Youku, Tudou, etc.



# Challenges



**Bluecom**  
The E-Commerce Experts

## Search Engines

- ❑ Baidu with about >65% market share
  - ❑ Has declined over past months
- ❑ 360Search with about >15% market share
  - ❑ Part of security suite
- ❑ Sogou, Soso (3<sup>rd</sup> - 4<sup>th</sup>, >10% market share cumulative)
- ❑ Google: 3-4% market share
  - ❑ Has lost a lot of ground since only sporadically accessible in Mainland China
  - ❑ Still important for foreigners as target group
- ❑ Bing, Yahoo, Others (1-2% market share)





# Challenges



**Bluecom**  
The E-Commerce Experts

## Language

- ❑ Target group definition
  - ❑ Simplified Chinese: written language of PR China
  - ❑ Navigation/Banner: Often mixed with English and foreign brands
  - ❑ Traditional Chinese: Hong Kong, Taiwan, Singapur
  - ❑ English: For foreigners

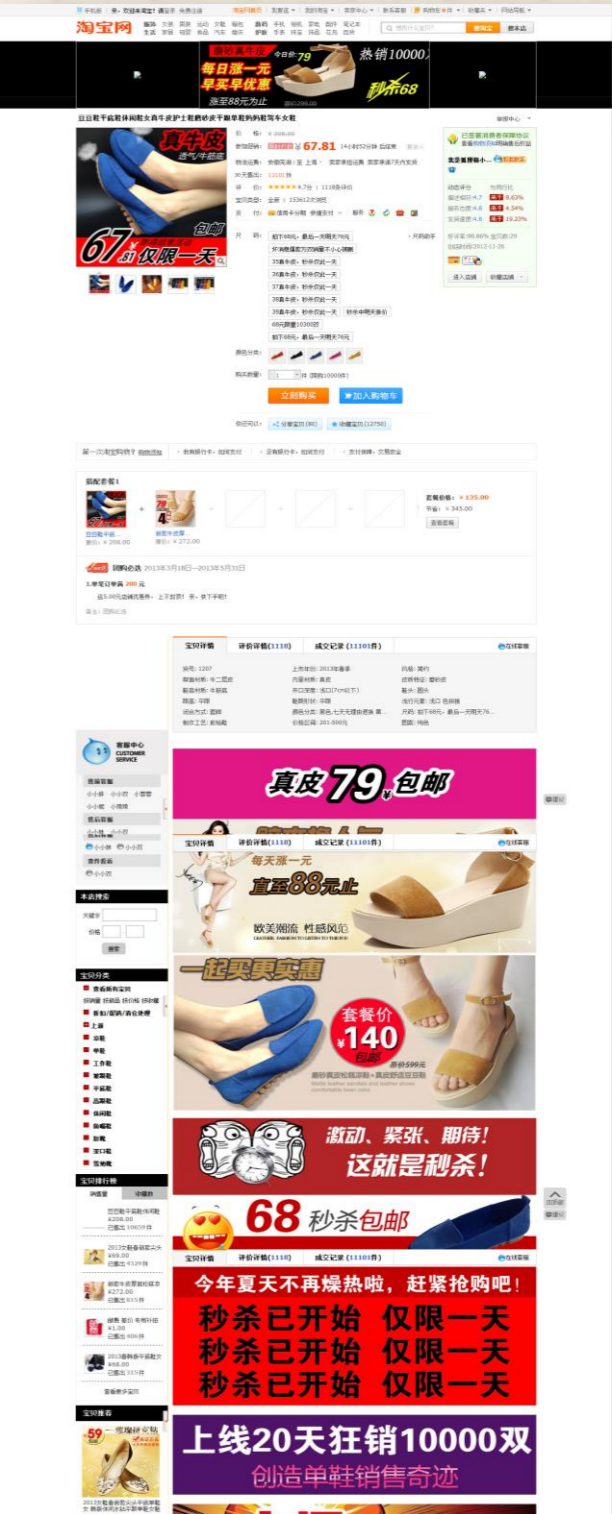




# Challenges

## Design / User Experience

- ❑ Long pages with a huge repertoire of photos and heaps of information
- ❑ Infinite Scroll of category pages
- ❑ Photos of all angles and labels, etc.
- ❑ As much additional information as possible (Trust)
- ❑ Up-sell, Cross-Sell and Promotion





# Challenges



## Profitability

- ❑ TCO needs to include considerable marketing expenses
  - ❑ But: on average 6-8% Profit (EBITDA)
  - ❑ Comparable with Europe and USA
- ❑ Large Multi Brand Pages
  - ❑ 100% Reinvestment of the proceeds to secure and expand market share
- ❑ Stand Alone Shops
  - ❑ Amortization of costs within 3-12 Months



# Case Studies

Examples of online merchants in  
China and East Asia, their strategies  
and success factors



# Case Studies



## Bluebell / Brand Distributor



- Brand Distributor
  - Brands: Paul Smith, Carven, Kenzo, Agnes B., Paris Hilton, Fendi, Le Sportsaq, Davidoff,...
  - Countries: China, Hong Kong, Japan, Korea, Taiwan, SO Asien
- Requirements for Brand E-Commerce Plattform
  - Low TCO (Total Cost of Ownership)
  - Short TTM (Time to market)
  - Using synergies with “3<sup>rd</sup> Party“ connections (CRM, ERP, OMS, eDM etc.)
  - Localization of target markets, but consistent branding



# Case Studies



## Bluebell / Brand Distributor



### ❑ Solution

- ❑ Magento (EE) Basic Platform with “3<sup>rd</sup> Party” modular extensions as required by the local country organization
- ❑ Modular Templates, allowing for adjustments to country-specific features
- ❑ Country-specific integration of Checkout-Options, Payment Gateways/Logistics etc.
- ❑ Rapid deployment across national borders and across brands



# Case Studies



## Bluebell / Brand Distributor



carven.fr

The screenshot shows the French version of the Carven e-commerce site. The header includes the Carven logo, navigation links for 'Femme', 'Homme', 'Maison Carven', 'Campagne', 'Actualités', 'Points de vente', 'e-Shop', and a search bar. A banner below the header reads 'Livraison gratuite pour notre lancement'. The main content area is titled 'Tous les produits' and features a size selection dropdown. Below this, there is a grid of product images with their names and prices:

- Sweat brodé 'Carven' 150 €
- Sweat molleton 150 €
- Chemise popeline imprimé 290 €
- Tee-shirt herbier 110 €
- Shorts orange 200 €
- Chemise imprimée 350 €
- Blouson 620 €
- Pull maille crochet 320 €

carven.jp

The screenshot shows the Japanese version of the Carven e-commerce site. The header includes the Carven logo, navigation links for 'Women', 'Men', 'The Maison Carven', 'Campaign', 'News', 'Store Locator', 'e-Shop', and a search bar. A banner below the header reads '配送無料：ただし送料キャンペーン実施中！'. The main content area is titled 'View all' and features a size selection dropdown. Below this, there is a grid of product images with their names and prices:

- ダンスキャップ キーリング ¥3,250
- ダンスキャップ キーリング ¥3,250
- ダンスキャップ キーリング ¥3,250
- PRE ORDER ¥25,100
- リネンパンツ ¥35,530
- コンビタンクトップ ¥13,630
- コンビTシャツ ¥13,750
- コンビTシャツ ¥13,750



# Case Studies



**Bluebell / Brand Distributor**



**Conclusion:  
Use Synergies**



# Case Studies



## Ebay / Paypal

### eBays 1<sup>st</sup> try in China

- 2004 Online market entry in China with Western management (COO, CTO)
- “Silicon Valley” Business Model also in China (Seller pays)
- Taobao: Free C2C Selling (no fees for reseller or buyer)
- eBay (EachNet): US\$100 Marketing expenses in the first year
- Market Share 2006: Taobao 67%, eBay-EachNet 29%
- eBay quits China



# Case Studies



## Ebay / Paypal

- ❑ eBays 2<sup>nd</sup> try in China
  - ❑ More local business models that aim at either Chinese business abroad or are better adapted to the local market
- ❑ Easy2export.com
  - ❑ B2B platform for Chinese export traders to process foreign payments abroad through Paypal and to integrate logistics providers, etc
  - ❑ Magento EE with subscription model to Magento Go to interface to external Logistics, Marketing and Payment Providers



# Case Studies



## Ebay / Paypal



easy2export.com

立即开始我的外贸通



# Case Studies



Ebay / Paypal



**Conclusion:  
Listen and Adapt  
to the Local Market**



# Case Studies



## Groupe Adeo / Homes-Up

- ❑ DIY Group with 27 Subbrands



- ❑ In China, DIY unsustainable (see Home Depot, B&Q)
- ❑ Solution: Local concept, adapted to the market and involving user feedback



# Case Studies



## Groupe Adeo / Homes-Up



### Homes-up.com (Magento EE)

- Home decorations and furnishings

- High Price Segment

- Multi-Channel:

  - Showroom in (very) expensive location in Shanghai

  - NO in-shop sales (no local warehousing)

  - Instead: Order through webshop on iPad at the store, same day delivery to home

- Furthermore: Pinterest-like Pages for Decoration Items (Drupal)

  - User feedback influences new product development



# Case Studies



## Groupe Adeo / Homes-Up



COLLECTIONS COLORS CATALOG DESIGNERS CHANNELS COMMUNITY LOGIN REGISTER (0) 中

HOMES-UP.COM 捷尚居

Trust

Shop homesup.tmall.com For delivery in your city

Fragrances 花团锦簇 New Collection

homes-up.com

品论家 clickjia.com

Posts Gallery Groups Users Events

Recents Populars 卧室 客厅 地中海 北欧 清新 田园 简约 温馨

谁去过北欧, 看看这个梦幻别墅

开阔的客厅设计

卡洛斯·普约尔不拘一格的阁楼

Comment: 0 Like this (0)

Comment: 0 Like this (0)

Comment: 0 Like this (0)

Clickjia Newsletter

Email: \*

Subscribe

User: \*

Password: \*

Login

Register

80196 Posts 76249 Images

32 Groups 15011 Users

Available on the App Store

150米众议院通过真一小川& Associates公司

别墅, 办公空间

75

clickjia.com



# Case Studies



Groupe Adeo / Homes-Up



**Conclusion:**  
**Be Innovative & Use New  
Marketing and Sales Concepts**



# Case Studies



## Racingtheplanet.com



- Big pure player based in Hong Kong under US management
- Organization of big outdoor events around the globe
- Sales of outdoor equipment / apparel that have proven reliability in most difficult conditions
- 14 representative offices around the world
- 2 Warehouses in UK and HK



# Case Studies



## Racingtheplanet.com



- Multi-lingual, multi-currency online shop based on Magento EE
- European version
  - Billed in GBP, shipped from UK and available in 5 European languages
- International Version
  - Billed in USD, shipped from HK, available in English and Traditional Chinese
  - Billed in RMB, shipped from HK, available in Simplified Chinese
- Modified Chinese checkout and account details, Chinese SNS embedded in one global Magento instance



# Case Studies



## Racingtheplanet.com



The screenshot shows the English version of the website. The top navigation bar includes '4 DESERTS', 'INTERNATIONAL (ENGLISH)', 'LOGIN', 'MY ACCOUNT', 'WISHLIST', 'MY CART (0)', and 'CHECKOUT'. The main navigation menu lists 'MEN'S', 'WOMEN'S', 'SHOES', 'GEAR', 'FOOD • NUTRITION', 'TRAVEL', 'SHOP BY ACTIVITY', and 'SHOP BY BRAND'. The hero section features a large image of a desert camp with the headline 'EXPLORE THE INNOVATION OF FREEZE DRIED FOOD' and a sub-headline 'EXPEDITION FOODS PROVIDES LIGHTWEIGHT, GREAT TASTING FOOD ON THE GO. BRING A MIX OF TRADITIONAL MEALS AND INTERNATIONAL FLAVOURS TO YOUR TABLE.' Below the hero section is a 'FEATURED BRANDS' carousel with logos for ZOX, Black Diamond, GARMIN, OMM, SALOMON, and vibram. At the bottom, there are three promotional banners: 'COMPETITION A WINNER EVERY MONTH', 'EXPERT ADVICE Expert Advice Articles', and 'SUMMER SALE EXTRA 10% OFF SALE PRICE PROMO CODE SUM10'.

The screenshot shows the Chinese version of the website. The top navigation bar includes '4 DESERTS', '中国 (中文)', '登录', '我的帐户', '收藏夹', '我的购物车 (0)', and '结账'. The main navigation menu lists '男装', '女装', '鞋类', '装备', '野外烹调及运动营养', '旅游', '按活动购物', and '按品牌购物'. The hero section features a large image of a desert camp with the headline '本周热点: 采用创新超低温冻干加工技术的 EXPEDITION FOODS 能量餐' and a sub-headline 'EXPEDITION FOODS 能量餐全部采用天然食材, 提供多种传统欧洲和亚洲的口味选择, 同时拥有着市场同类产品中最高的卡路里重量比.' Below the hero section is a '特色品牌' carousel with logos for ZOX, Black Diamond, GARMIN, OMM, SALOMON, and vibram. At the bottom, there are three promotional banners: '好礼连环惊喜活动 每月一位幸运儿', '专家建议文章分享', and 'SUMMER SALE EXTRA 10% OFF SALE PRICE PROMO CODE SUM10'.

racingtheplanet.com

cn.racingtheplanet.com



# Case Studies



Racingtheplanet.com



Conclusion:  
**Think Big, Think International**



# Now or Never?



## Why Wait?

- Market is still open for new concepts and products
- Market is (still) in growth phase
  - Comparably low Customer Acquisition Costs
- Foreign Premium and Luxury Products (still) without competition from Chinese brands
- New foreign suppliers (are still/yet) between “Early Adopters” and the use of established technologies, structures and connections



# E-Commerce International



**Bluecom**  
The E-Commerce Experts

# Thank You!

Address questions to  
[patrick.deloy@bluecomgroup.com](mailto:patrick.deloy@bluecomgroup.com)



# Win a trip to Imagine 2014



**Remember to drop answers at registration desk**



magento **live**  
AUSTRALIA 2013

