Cross-border eCommerce - China

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Brought to you by Global Markets, U.S. Department of Commerce.
Chinese consumers in 2014 are expected to spend $345 billion shopping online, surpassing all other countries including the world’s current largest online retail market, the U.S.

More than 315 million Chinese shop on the internet. That’s 75 million more e-shoppers than there are in the U.S., double the number of online shopper in Japan, and six times the number in U.K.

In 2013, 7% of all digital shoppers made cross-border purchases. (This represents $12.3 billion in 2013.)
What Chinese are buying online

- Baby and beauty are currently the two largest product segments in the cross-border sales.

- Babycare 32%
- Beauty 25%
- Apparel 13%
- Healthy products/food 24%
- Others 6%

3C (China Compulsory Certification) products/food have great market potential, and are expected to see rapid growth.

Source: Tmall Global 2014
What to ask!

- Trademark registration in China
- Define your China strategy
- Payment/logistics/customs
- Cost
- Marketing
- Management
Cross-border eCommerce

The above portals are for reference only. Rules that permit the use of other platforms, are unique to each city.
Cross-border regulations are changing and vary in each test zone.

- 5+2 cities currently enjoy these test policies
- Each city has its different strengths and weaknesses
- Currently, Ningbo and Hangzhou have the highest inbound sales volume
- VIPshop has signed an agreement with the Guangzhou portal
- Tmall Global has signed an agreement with the Hangzhou portal
- Test zones being added monthly (Tianjin, Shenzhen, etc.)
- The Shanghai portal only uses their own payment and logistics company
Cross-border eCommerce

Two models

| Bonded warehouse (beihuo, 备货) | Sales: No sales order before products arrive at the portal. [Arrives in bulk] | Passing customs: Required to be products, that are already in China through general trade. [CIQ is required] | Duty: See next page. |
| Direct (jihuo, 集货) | Sales order already exists before products arrive at the portal. [Pre-addressed & Packaged] | No CIQ is required. |
## Cross-border eCommerce

Comparison of different methods

<table>
<thead>
<tr>
<th></th>
<th>U.S. website</th>
<th>Purchasing agent</th>
<th>Cross-border eCommerce</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timing</strong></td>
<td>2-4 weeks</td>
<td>2-4 weeks</td>
<td>• 1-2 weeks (direct)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• up to one week (bonded warehouse)</td>
</tr>
<tr>
<td><strong>Logistics</strong></td>
<td>Returns difficult</td>
<td>Returns difficult</td>
<td>Returns convenient</td>
</tr>
<tr>
<td><strong>Prices</strong></td>
<td>U.S. price + logistics (high)</td>
<td>U.S. price + agent fee (high)</td>
<td>U.S. price + low shipping</td>
</tr>
<tr>
<td><strong>Duties</strong></td>
<td>Unknown/upon custom’s inspection</td>
<td>Unknown/upon custom’s inspection</td>
<td>Lower duties</td>
</tr>
</tbody>
</table>

*U.S. Department of Commerce*
Cross-border eCommerce
Ranges of eCommerce platform fees

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundable deposit</td>
<td>$25,000 - $40,000</td>
</tr>
<tr>
<td>Annual rental fee</td>
<td>$5,000 - $10,000</td>
</tr>
<tr>
<td>Logistic/warehouse charge</td>
<td>5 - 20%</td>
</tr>
<tr>
<td></td>
<td>depends on product</td>
</tr>
<tr>
<td>Banking fee</td>
<td>1% - 1.5%</td>
</tr>
</tbody>
</table>
Cross-border eCommerce

Benefits

- Barriers to China entry, lower than traditional eCommerce or retail.
- Lower duties, no VAT
- Exists in a rapidly changing landscape, that affords unique advantages, especially for products that require CIQ inspection.
- Supervised by China customs, process is transparent, no fake products.
Cross-border eCommerce

Duty

- 10% food, drink, shoes, boots,
- 20% textile, home electronics
- 30% sportware, Golf tools
- 50% cosmetics

If the calculated duty is less than 50 RMB, no duty is charged.

Value of each package is limited. (1,000 RMB - US; 800 RMB - HK, Taiwan and Macau)
If the selling price for one item exceeds 1,000/800 RMB - this is OK.
Multiple items in one package cannot exceed 1,000/800 RMB.
WE WANT YOU TO SELL YOUR PRODUCTS TO CHINA.

Please contact us to learn more about selling your products by eCommerce to China.

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