Wisconsin International Trade Conference
Assessing the China E-Commerce Opportunity
May 9, 2018
Agenda and Takeaways

- Overview of the China market opportunity
- What product categories have highest demand in China?
- How can Alibaba’s platforms help you reach the Chinese Consumer?
China Market Opportunity

Chinese ecommerce is vast and growing:

- **Comparison: Chinese population and emerging middle class vs the U.S. population:**
  - Within 5 years the Chinese middle class is expected to reach 600 million (double the size of the entire U.S. population)
  - There are 10 cities in US with population of 1m+; In China today there are 102. In 10 years --220.
- Total volume of sales on Alibaba’s platforms alone is more than the 5 largest brick and mortar American retailers combined.
- Chinese consumers spend half of their income on clothes and food; they have a growing appetite for imported international products to upgrade their lifestyle.
China Leads E-Commerce Worldwide

By 2019 Chinese online shoppers will account for 27% of the world and account for 57% of sales

### Online Shopper Share by Country

<table>
<thead>
<tr>
<th>2019 RANK</th>
<th>COUNTRY</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CHINA</td>
<td>26.7%</td>
</tr>
<tr>
<td>2</td>
<td>INDIA</td>
<td>13.3%</td>
</tr>
<tr>
<td>3</td>
<td>US</td>
<td>9.5%</td>
</tr>
<tr>
<td>4</td>
<td>JAPAN</td>
<td>3.9%</td>
</tr>
<tr>
<td>5</td>
<td>INDONESIA</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### Retail e-commerce Worldwide % by Country

<table>
<thead>
<tr>
<th></th>
<th>CHINA</th>
<th>US</th>
<th>UK</th>
<th>JAPAN</th>
<th>GERMANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>57%</td>
<td>54.1%</td>
<td>17.6%</td>
<td>18.3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>52.9%</td>
<td>16.1%</td>
<td>20.3%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

The desire for foreign products:

- Foreign offerings are considered more premium
- Recent survey revealed that **quality** and **safety** are the top two reasons for why Chinese consumers are purchasing foreign products. (Oliver Wyman, 2016)
- Chinese consumers want to know that the product is authentic
- They also follow the products journey to ensure it is imported
- They close attention to the branding, and want to know the brands story
  - On online platforms, and often on the products directly, brands work hard to communicate the origins of the products
- Chinese consumers also want access to the products they experience on their travel
China Market Opportunity

- Top product categories Chinese consumers are buying:
  - **Largest**: (everyday essentials) Beauty products, mother/baby, personal care, snacks & beverages, health products
  - **Fastest Growing**: (lifestyle) pet, home & garden, cars & bikes, musical instruments, sports equipment, art supplies
- **Millennials= Power Consumer**
  - Consumption of those under the age 35 is forecast to account for 65% of the growth in China.
  - Over 50% of Alibaba’s online fashion consumers are born in the 1990’s (Source: Tmall Fashion)
China Market Opportunity
Fresh, Frozen & Packaged Food

The Five Drivers of Changing Food Consumption

1) Quality & Safety
2) Advances in Supply Chain
3) Rural migration and urbanization
4) Taste preferences of younger consumers
5) Increasing demand for premium food
How Can Alibaba Group Help You?

- **$547 billion GMV**
- **+22%**
- **515 million active consumers**
- **55 million packages daily**
- **90% mobile GMV**
- **+10 million active merchants**
China Retail Marketplaces

B2C platforms – connecting international brands and retailers with over 600 million Chinese consumers

C2C platforms – enabling global merchants, SME and boutique brands market and sell to Chinese consumers

B2C platforms – enabling farmers to sell fresh produce to Chinese consumers

B2B platform – wholesale platform connecting millions of SMEs globally

Tmall vs. Tmall Global

- **Chinese legal entity** required
- Corporate **bank account** within China
- **Payment** received in CNY
- **Trademark** registered in China
- **Warehouse** within China
- **Shipment** and delivery within China

- **International legal entity**
- Home country **bank account**
- **Payment** received in local currency
- **Trademark** registered in home country
- **Warehouse** outside China
- **Shipping** from overseas directly to Chinese consumers
Taobao Global

- Taobao Global = Global Buy
- Focuses on niche products from SMEs in overseas markets that are looking to sell into China
- Small businesses can list their products directly on TBG if they choose, but working through distributors or trade partners is the most common.
- Target consumers are young people, between the ages of 20 and 35, who live in big cities
New Retail: Hema Supermarket
Direct Sourcing: Alibaba Win-Chain Wholesale Model

- **Direct Sourcing**
  - Sell to Alibaba

- **Direct Retail to Consumer**
  - Sell through your own store

1. **Bulk Volume**
2. **Limited selection of products**
3. **Direct purchasing relationship preferred**

**Business Entry**

**Win-Chain Purchasing Entity**

**Distribute**

**Online Market Places**

**Offline Market Places**
Thank you
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