



BIG

2015 天猫双11全球狂欢节

2015 TMALL 11.11 GLOBAL SHOPPING FESTIVAL

双11全球狂欢节

2015 11.11 GLOBAL SHOPPING FESTIVAL

24:00:00

¥ 91,217,017,615

\$ 14,341,847,366

无线成交占比: 68%

GMV[®] Generated in USD on 2015 11.11

Mobile GMV Share

初步数据, 未经审计。All data on the screen are preliminary and unaudited.

BIGGER



BIGGEST

Digital Rules in China

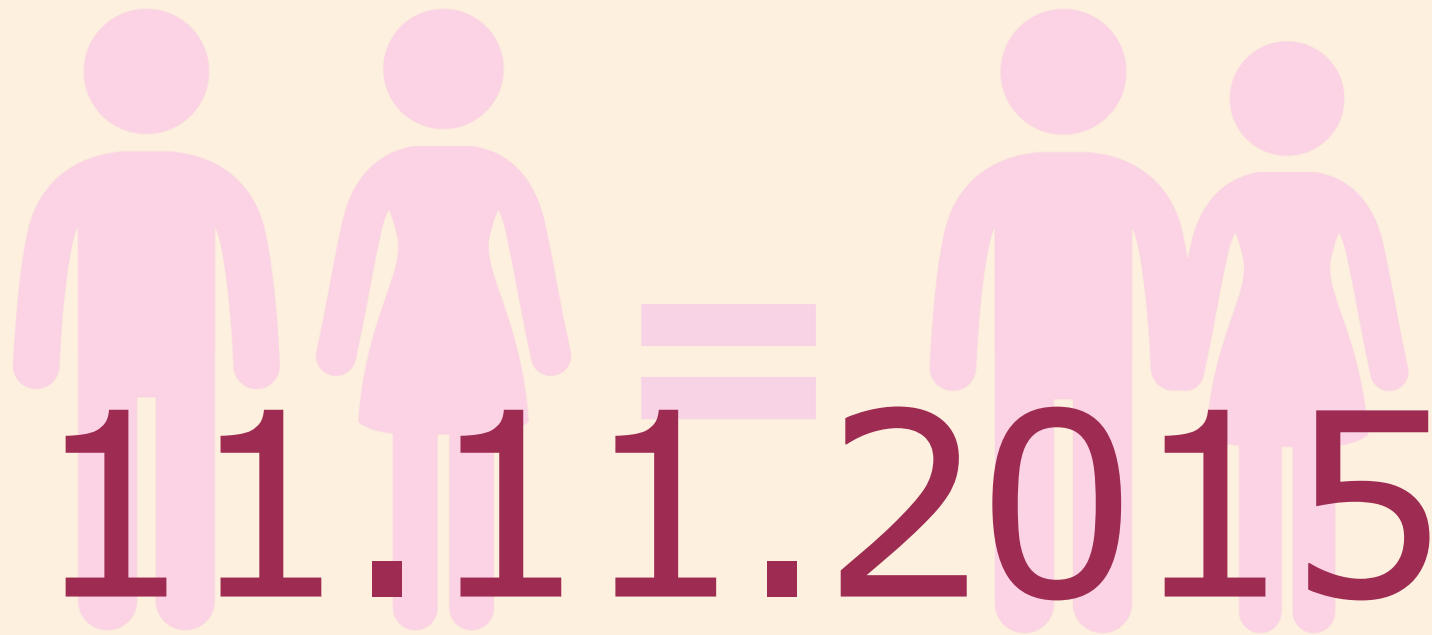
Digital won easily over traditional in China. Digital is all important.

“Bricks-and-mortar retailing is a mature business in the U.S., where consumers have been shopping in malls for decades and continue to do so, augmenting their purchases with occasional forays on the web. Online shopping is dessert in the U.S., but in China, it is the main course.”

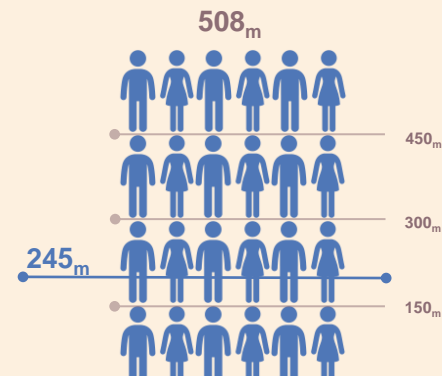
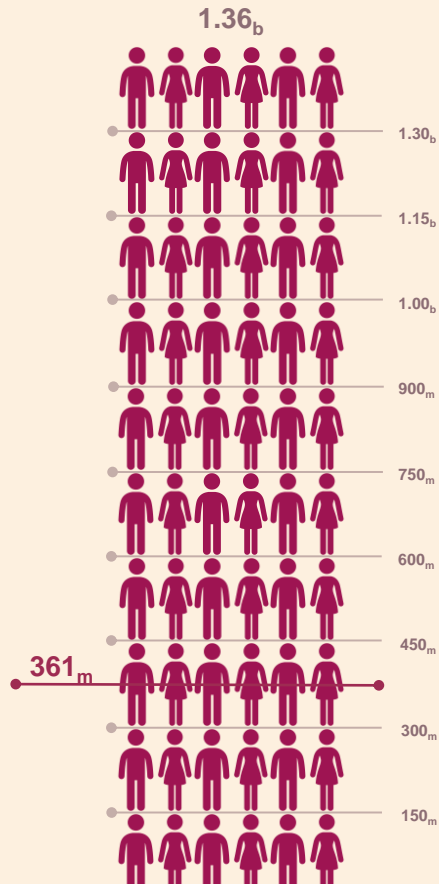
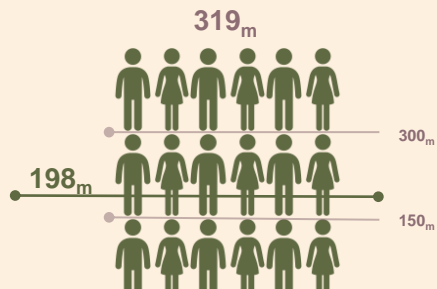
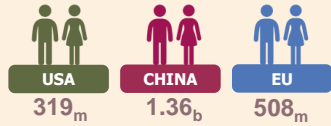
Jack Ma, Group Founder and Chairman, Alibaba

SINGLES DAY PHENOMENON

SINGLES DAY GENERATED **US\$14.3 BILLION** IN SALES (IN JUST ONE DAY!)



TOTAL ONLINE SHOPPERS



ECOMMERCE MARKETS

USA



\$349
billion

china



\$672
billion

EU



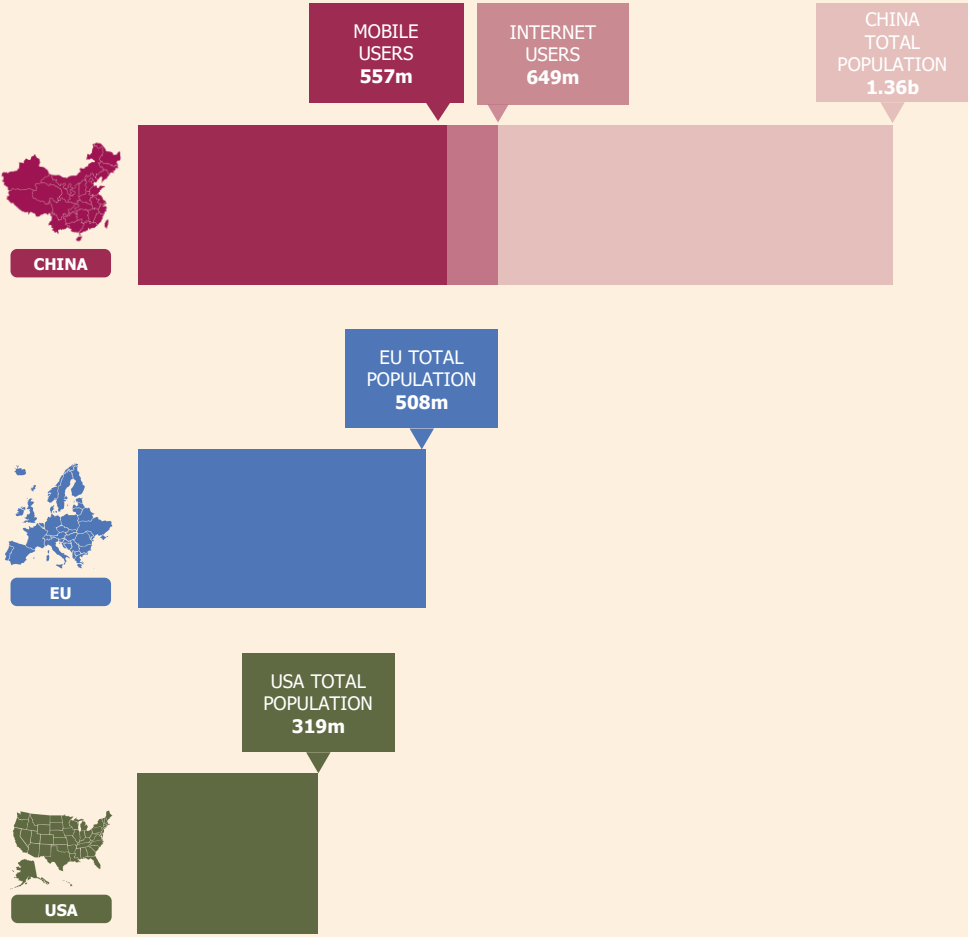
\$223
billion

ANNUAL SPEND PER BUYER

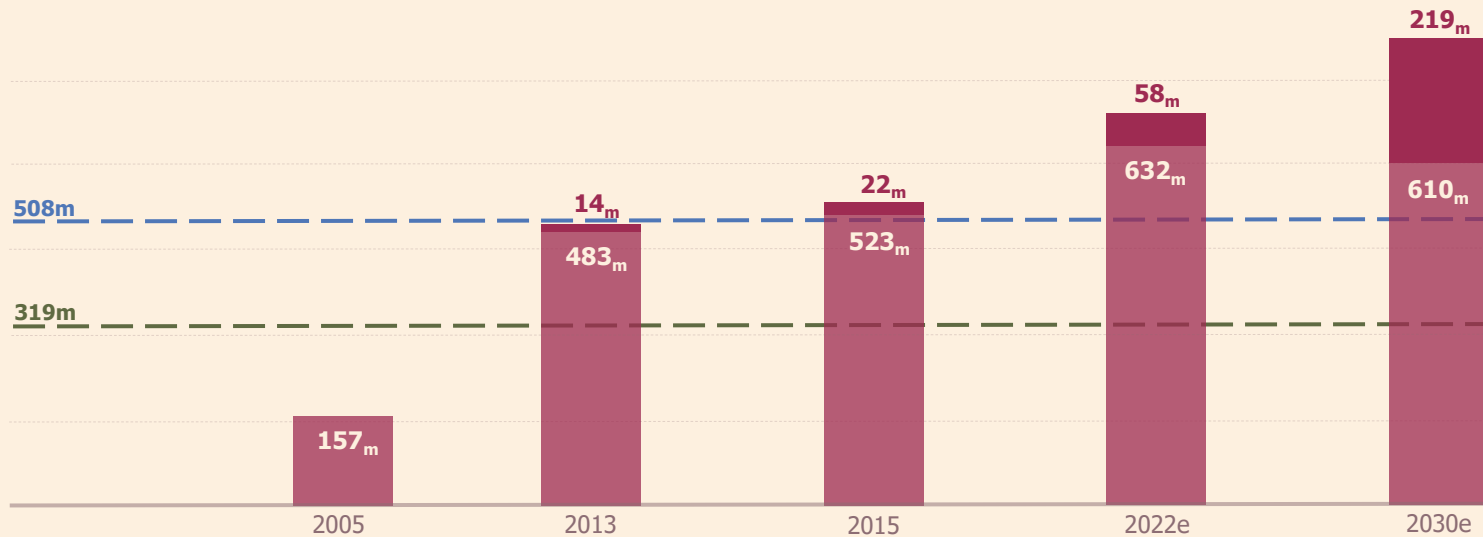
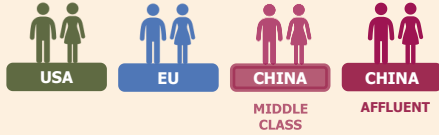


KEY NUMBERS

RURAL POPULATIONS ARE GETTING ONLINE BY LEAPFROGGING PC USE ALTOGETHER

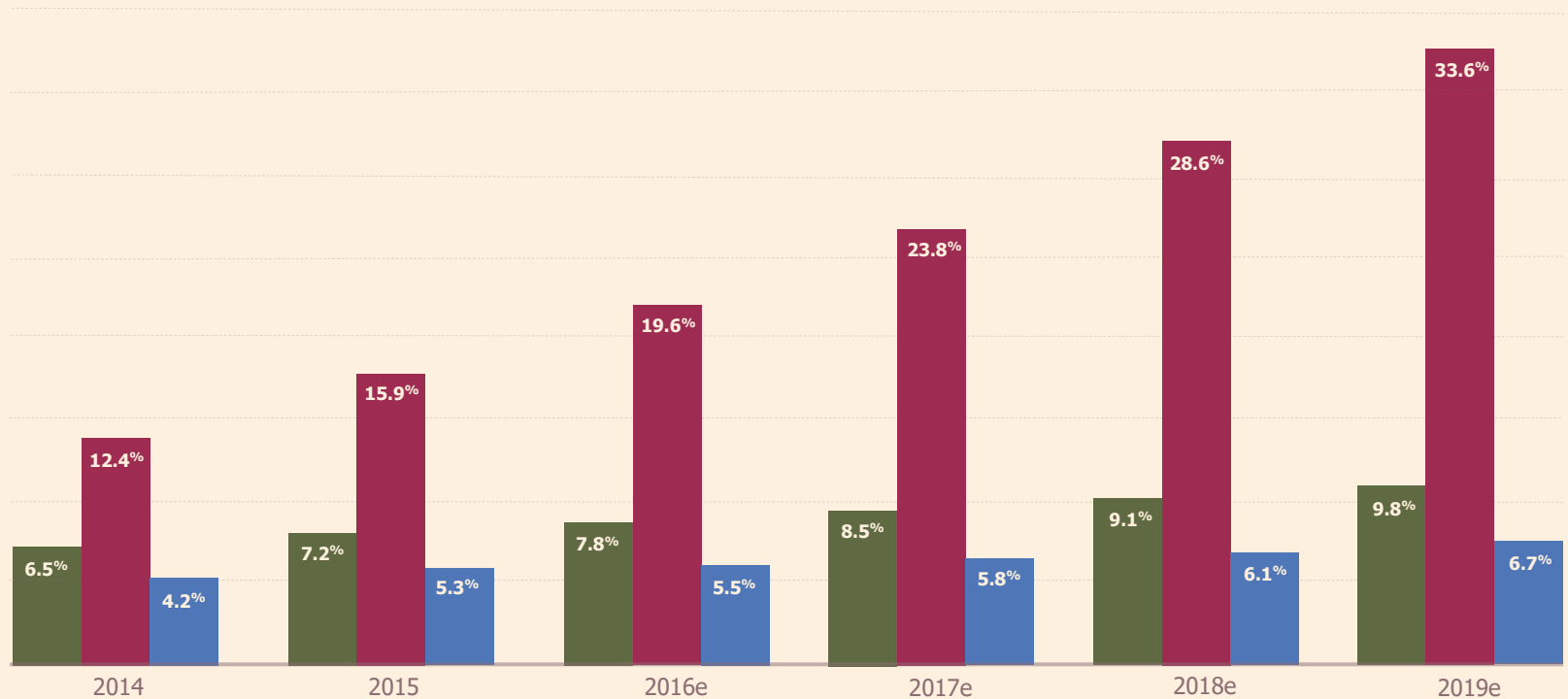


CHINA'S CONSUMER CLASS IS LARGE AND GROWING



EXPECTED ONLINE PURCHASES

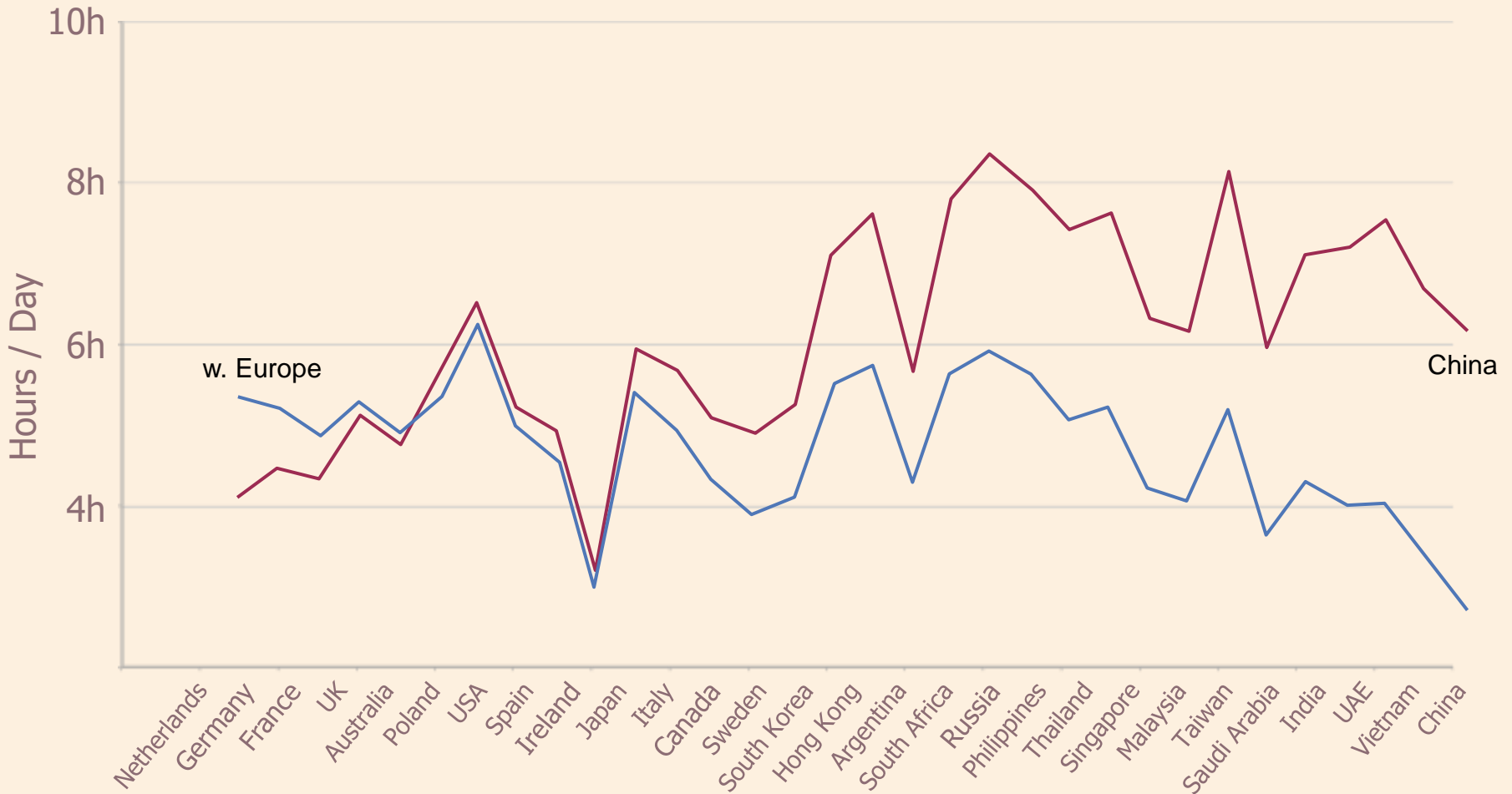
SHARE OF RETAIL SALES MADE ONLINE EXPECTED FOR USA, CHINA AND EU



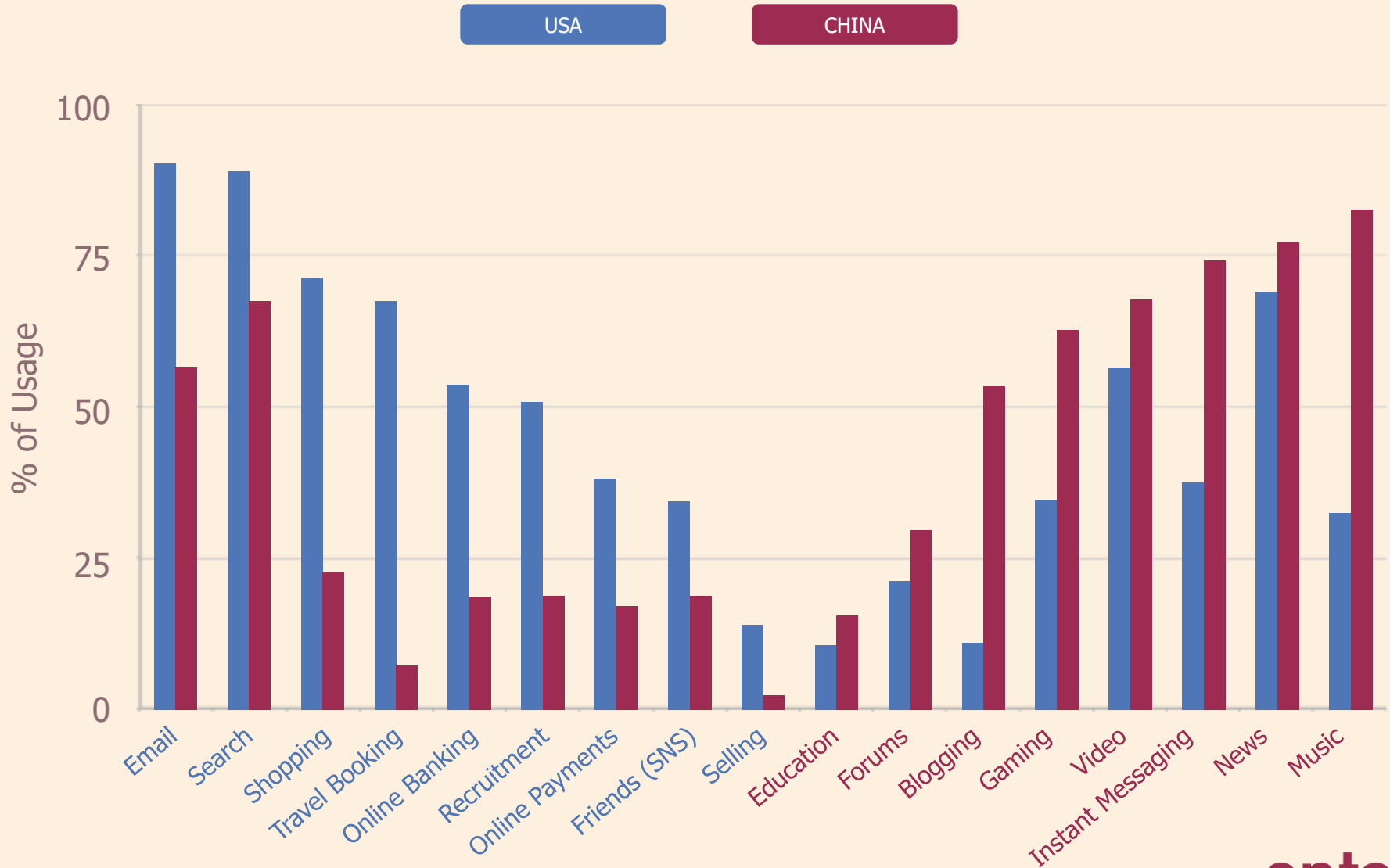
TIME SPENT BY MEDIA / BY MARKET

TRADITIONAL - HOURS

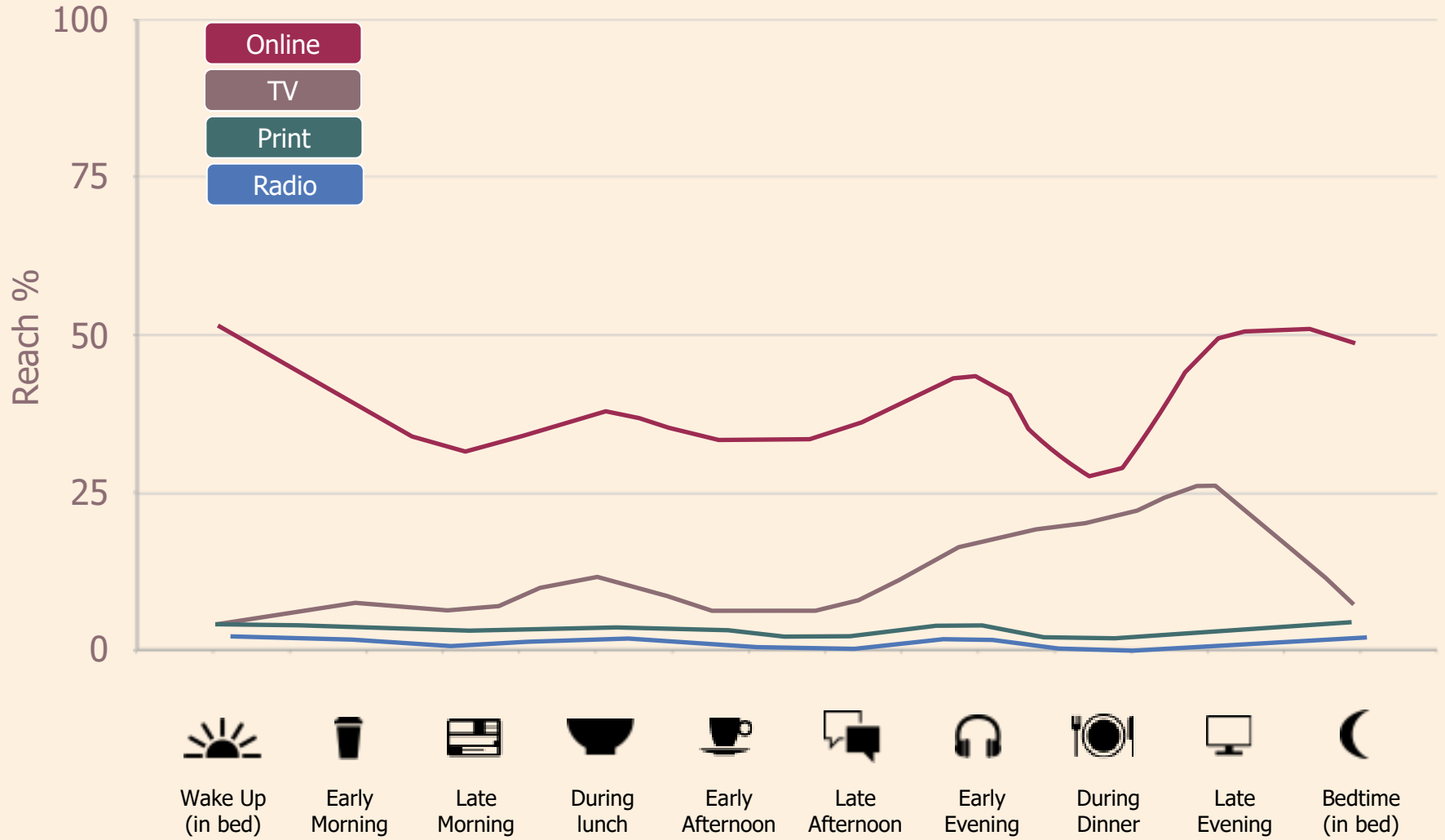
DIGITAL - HOURS



USA vs CHINA / ACTIVITIES ONLINE



DAILY USE OF MEDIA TIME (ONLINE vs TRADITIONAL)

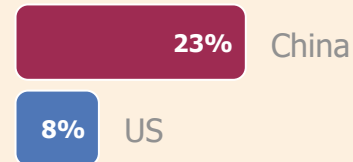


CHINA: SHOPPING IS MORE SOCIAL

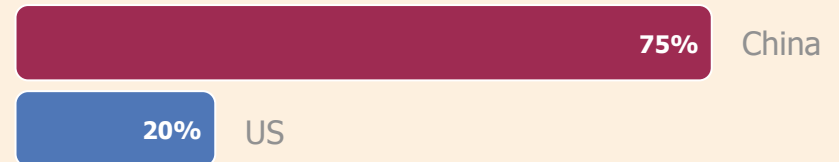
CHINESE RELY HEAVILY ON SOCIAL TO DISCOVER AND RESEARCH BRANDS



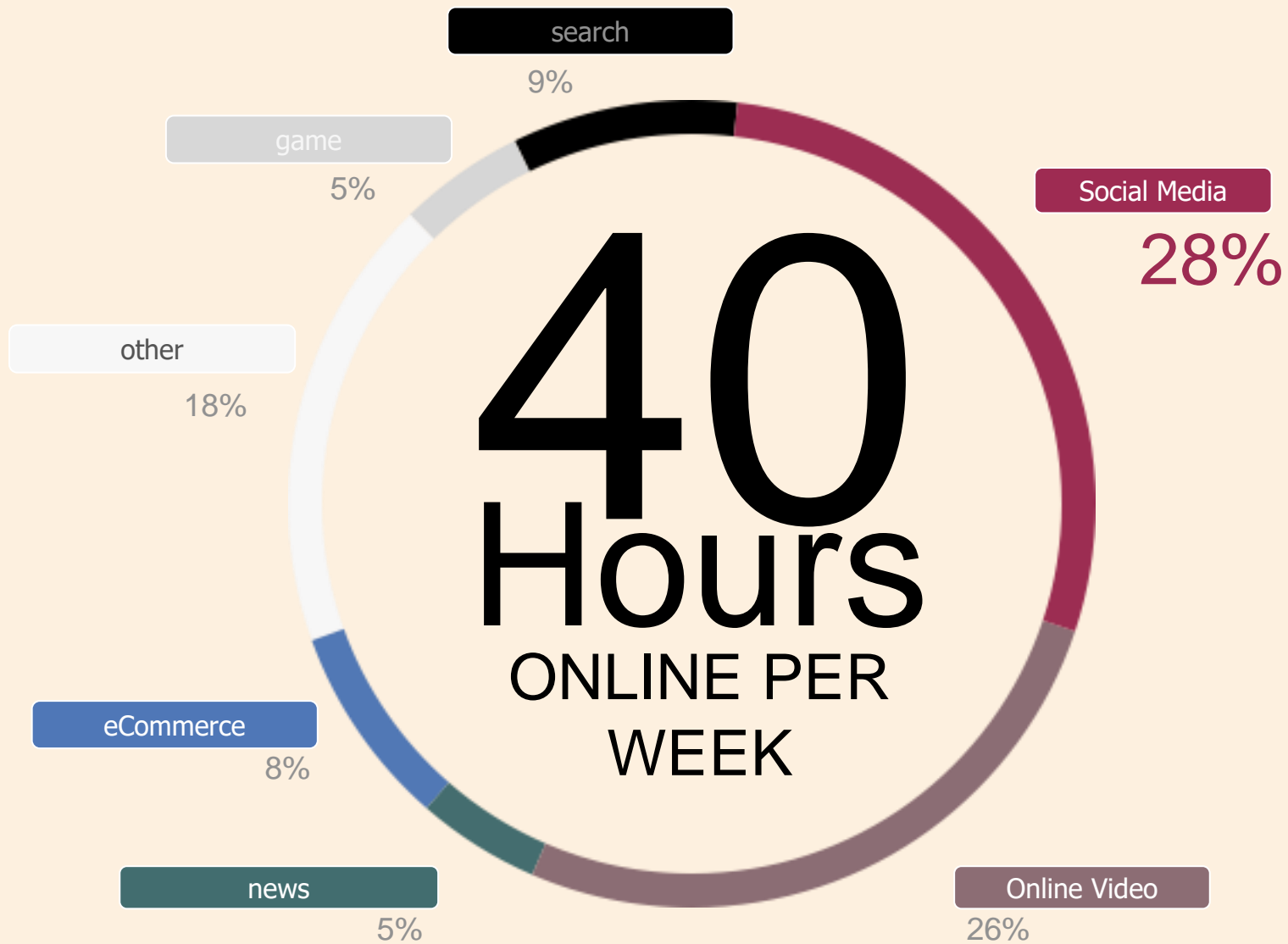
"Social networks are the first place I research brand information"



"I post product ratings and reviews at least once per month"



USER TIME ONLINE: SOCIAL & VIDEO LEAD



The China Ecosystem

A distinct ecosystem with sites that are only rough equivalents of USA / EU.

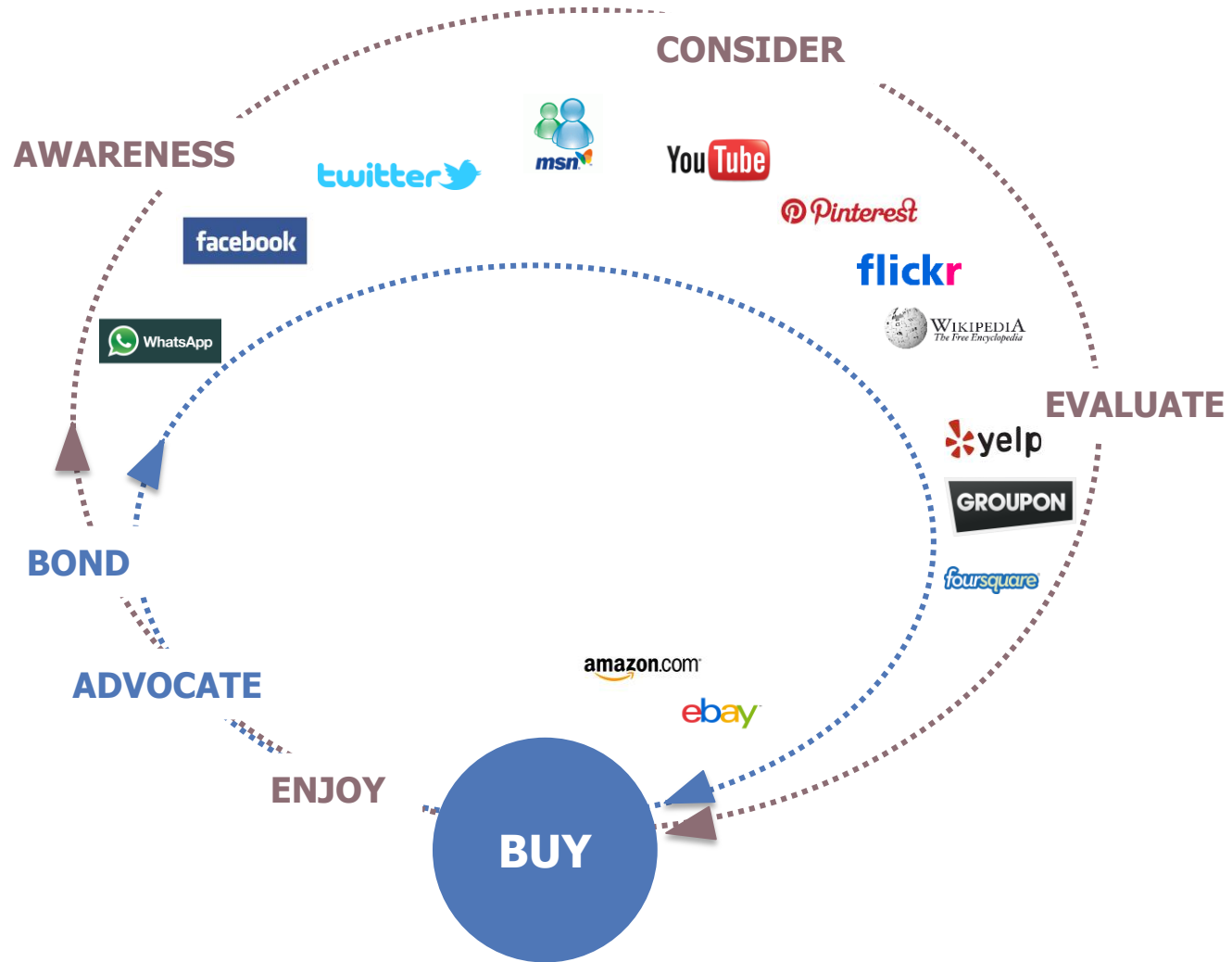
TWO SOCIAL ECOSYSTEMS

FACEBOOK

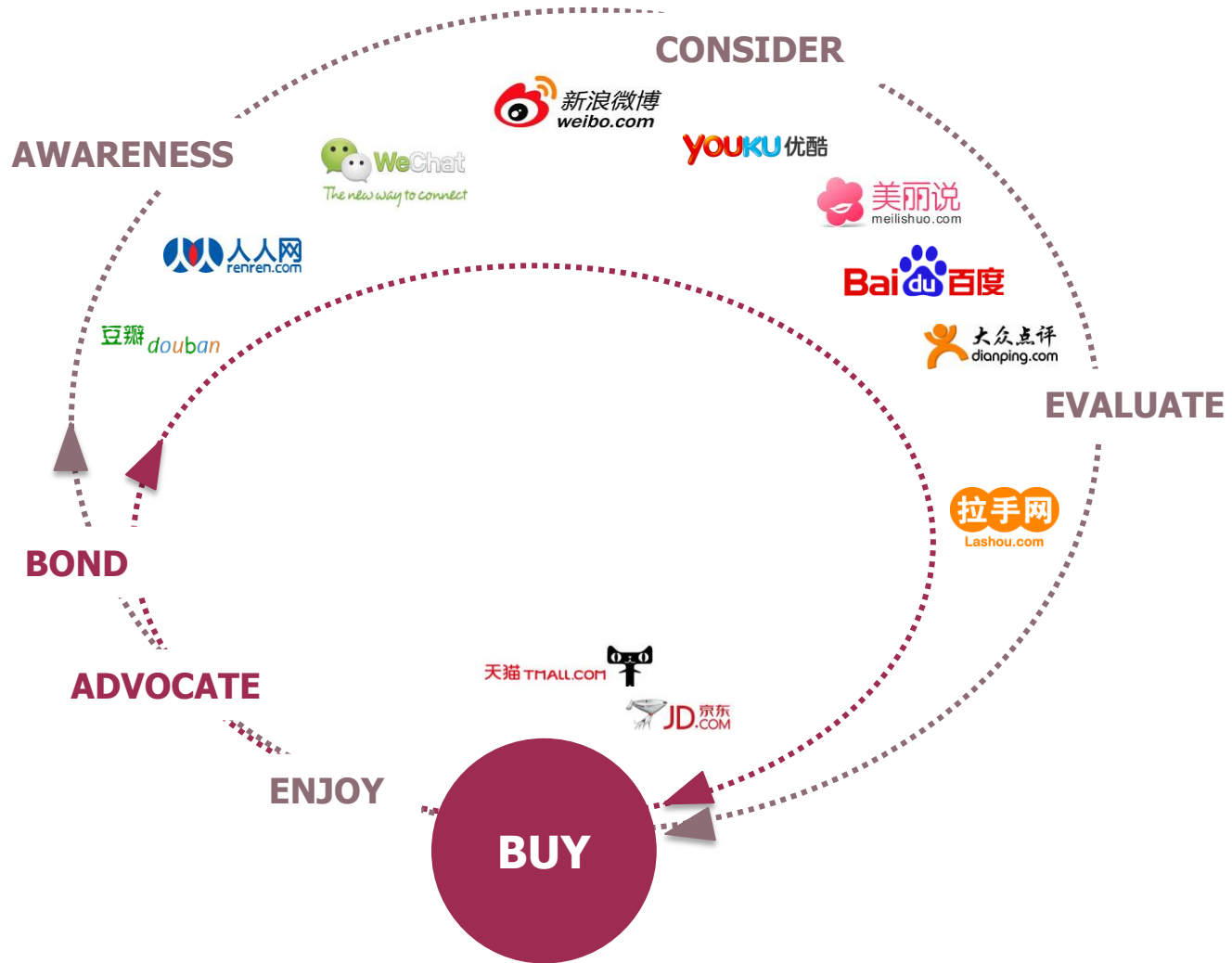
WECHAT



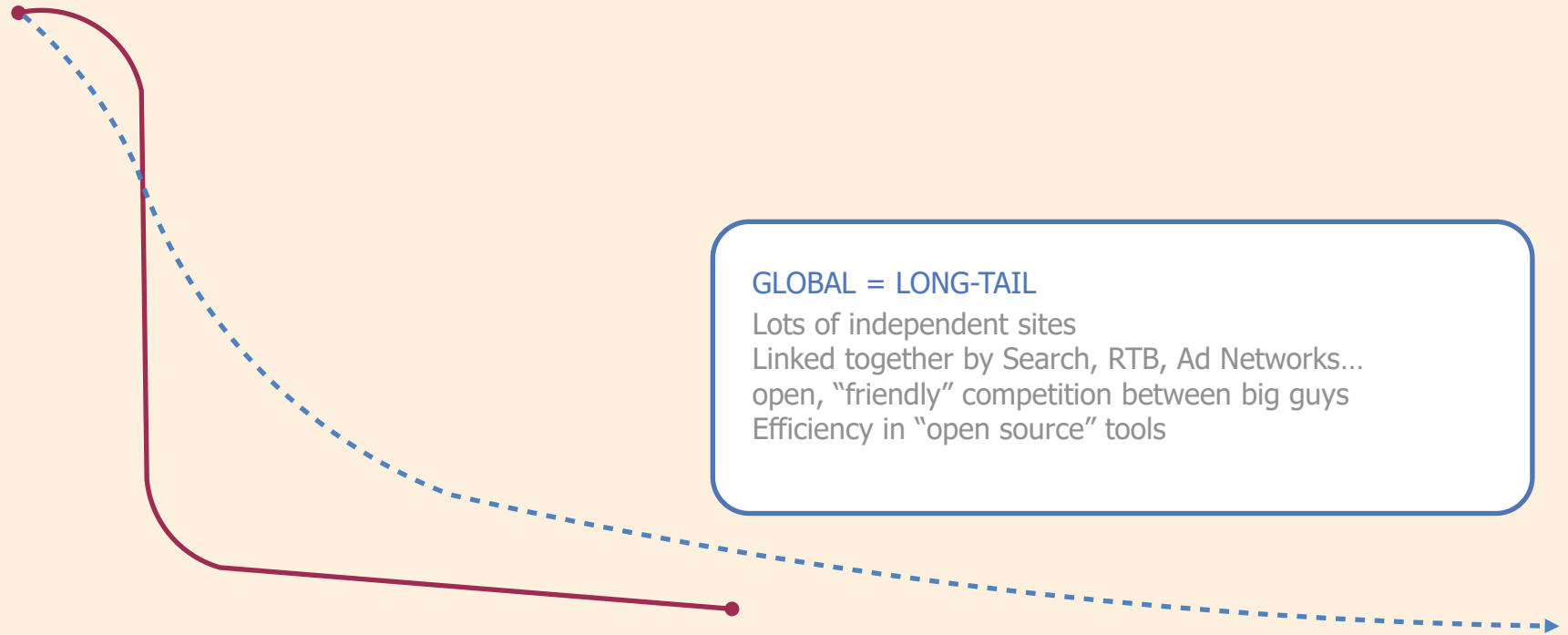
INTERNATIONAL – SOCIAL MEDIA ECOSYSTEM



CHINA – SOCIAL MEDIA ECOSYSTEM



GLOBAL (LONG-TAIL) vs CHINA (CONCENTRATED)



GLOBAL = LONG-TAIL

Lots of independent sites
Linked together by Search, RTB, Ad Networks...
open, "friendly" competition between big guys
Efficiency in "open source" tools

CHINA = CONCENTRATED

A few dominant players hold most traffic
search & programmatic "relatively" less important
Social more important (news, entertainment, WOM)
Development of tools dominated by BAT



Outbound Ecommerce

“HAITAO” and the practice of buying online from global sites is in full swing.

OUTBOUND ECOMMERCE

HERMÈS



海淘

The liberalization of imports to China has led to a dramatic increase in outbound ecommerce (HAI TAO), with Chinese buying on global websites – shipping 'back' to China. Brands and ecommerce merchants that understand this movement can reap significant returns.

OUTBOUND



OFFLINE

TOURISTS OVERSEAS

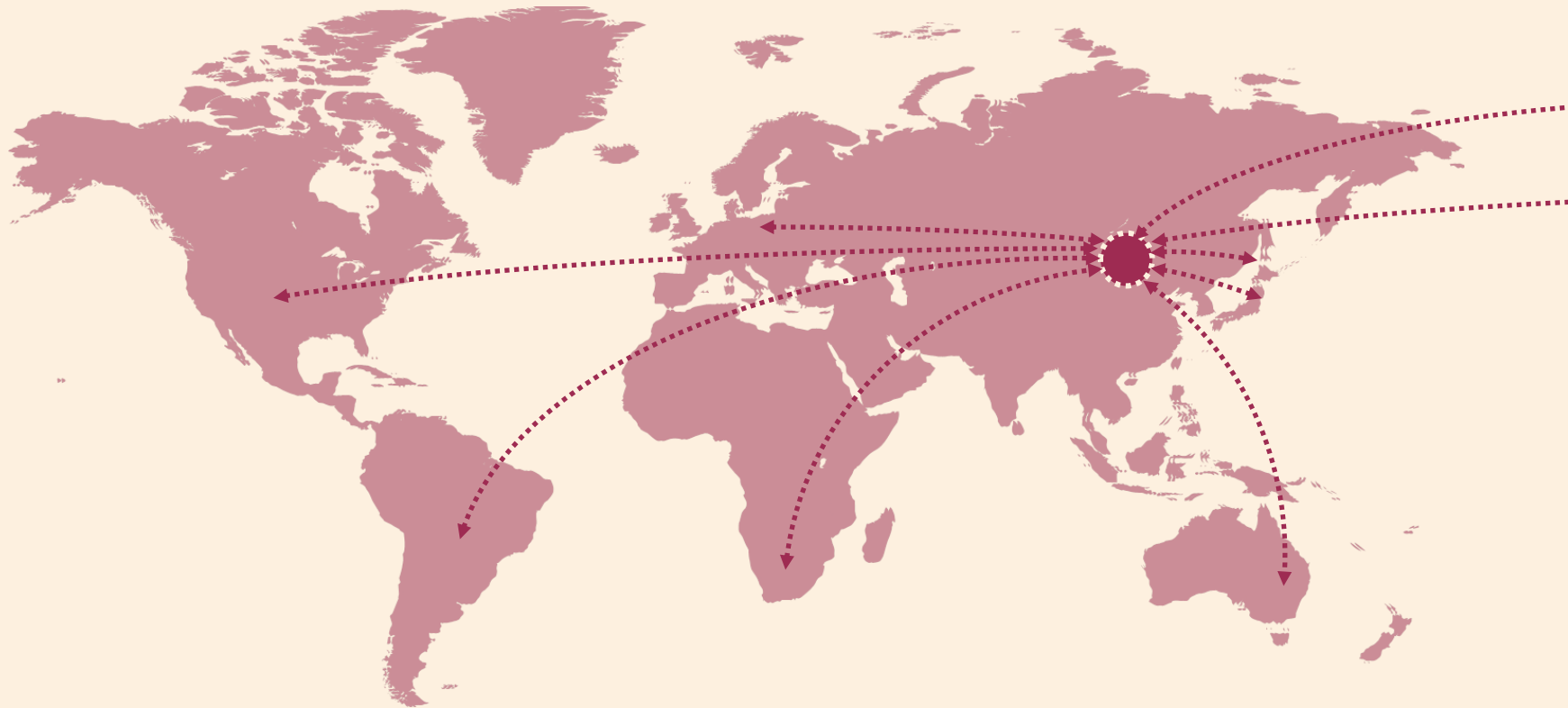


ONLINE

ECOMMERCE FROM CHINA

OUTBOUND ECOMMERCE

IN SEARCH OF PRODUCTS FROM AROUND THE WORLD - ONLINE



"HAI TAO" – Ocean Search
The term in China for the shopping trend to going
online...ordering direct from global websites.

OUTBOUND ONLINE
CONSUMPTION TO REACH

US\$ **1.0**

Trillion

By 2016

Why now?

CHINA FOREIGN TRADE ZONES



FTZ

The Shanghai Free Trade Zone was the first sign of more openness. Merchants selling through the FTZs are able to offer prices in the range of 30% lower than those sold in stores (reduction of tariffs).



Credit Cards / Debit Cards



Alipay.com



Tenpay.com

ONLINE PAYMENT OPTIONS ARE GROWING QUICKLY

Penetration is growing: (1)Credit Cards (VISA/MC) are becoming more available, (2)Alipay/Tenpay are near universal, (3)Alipay's global ePass may also facilitate greater access.



BETTER PRICES FOR AUTHENTIC GOODS

Due to tariffs, retail prices for authentic branded products can be 30%+ more expensive inside China. And, while deals (promos/sales) can be found in China, there is a high risk of buying fakes from second-hand merchants. By going direct, overseas, customers hope to find good deals on genuine products.



GROWING INTEREST IN NEW PRODUCTS & PLACES

As the number of Chinese overseas travelers is growing, increased freedom is resulting in a growing sense of exploration and discovery. Taobao has done a good job (until now) in satisfying “discovery” for products but consumers are looking for more unique experiences.



MATURING INTERNATIONAL LOGISTICS

While end-to-end shipments of products to consumers in China can be lengthy (still), there are a growing range of options to make the process quicker and more reliable – drop-shipping, transshipment, and etc.

China's Hai Tao Shoppers

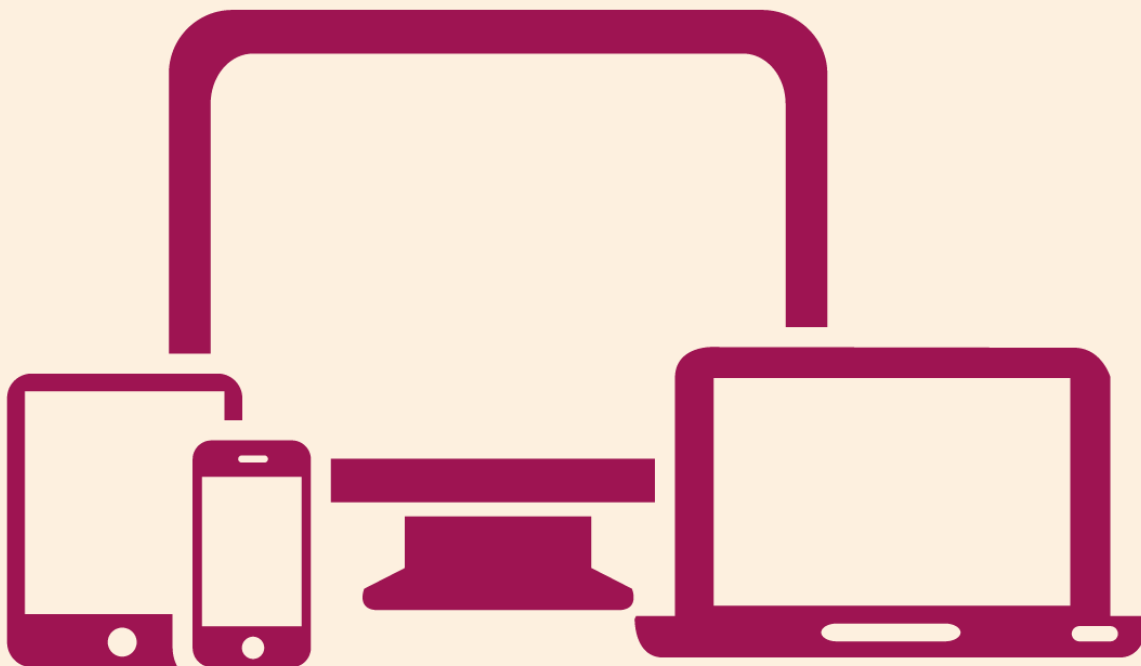
THEIR SHOPPING BEHAVIOUR IS DIFFERENT

CROSS-BORDER SHOPPERS

31%
BEAUTY

17%
BABY CARE

11%
FOOD



DOMESTICS SHOPPERS

5%
BEAUTY

5%
BABY C.

2%
FOOD

BABY CARE



81%

BABY FORMULA

BABY FOOD [48%], TOYS & MATERNITY [38%], BABY CLOTHING [19%], DIAPERS [20%]

BEAUTY



67%

SKINCARE

COSMETICS [43%], COSMECEUTICALS [38%], PERFUME [30%]

FASHION

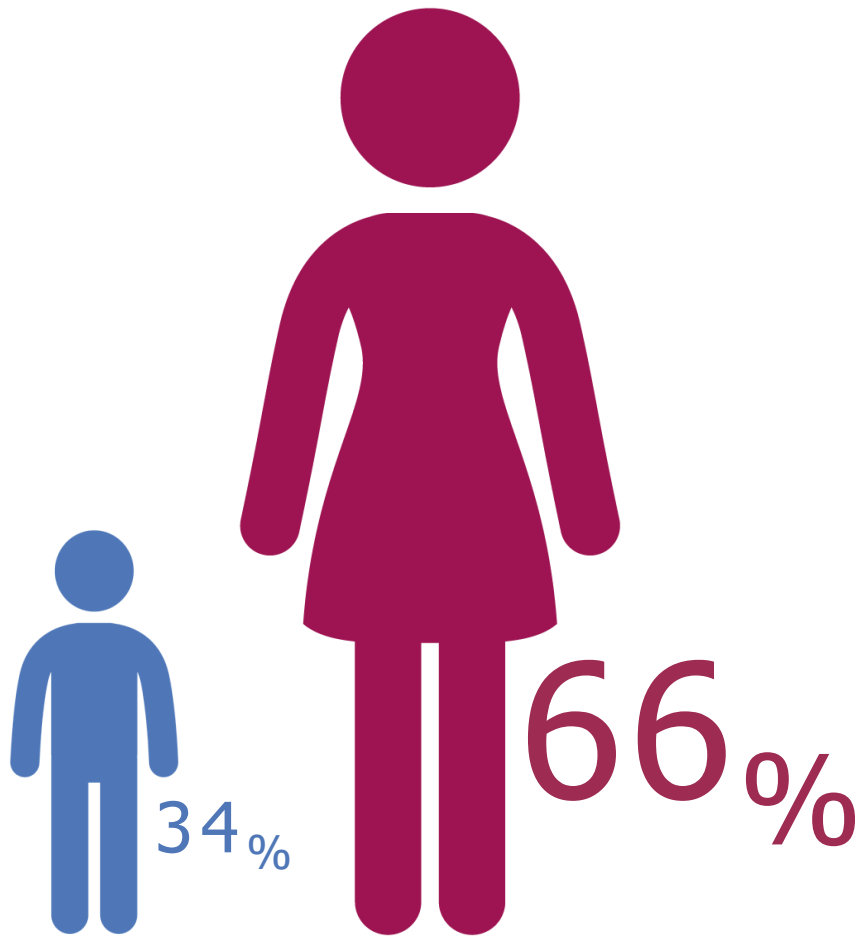


55%

HANDBAG / LUGGAGE

WOMEN'S APPAREL [50%], SHOES [49%], MEN'S APPAREL [28%], HATS [6%]

THEIR DEMOGRAPHICS ARE DIFFERENT



MARITAL STATUS

MARRIED WITH KIDS – 48%
SINGLE – 40% / MARRIED – 12%

AVERAGE MONTHLY SPENDING

<US\$160	31%
US\$161 – US\$320	35%
US\$321 – US\$801	26%
>US\$802	8%

AVERAGE CHINA ONLINE SHOPPER: US\$80

AGE

42%	29 – 36 YEARS OLD
42%	23 – 28 YEARS OLD
8%	<23 YEARS OLD
8%	>36 YEARS OLD

AVERAGE CHINA ONLINE SHOPPER: 28

ANNUAL INCOME

39%	<US\$15K
44%	US\$15K – US\$39K
17%	>US\$39K

AVERAGE CHINA ONLINE SHOPPER: US\$7K

CROSS-BORDER PURCHASES PER YEAR



54%
2 to 5 PURCHASES

20% - 6 to 12 PURCHASES

17% - 1 PURCHASE

5% - 24+ PURCHASES

4% - 13 TO 24 PURCHASES

THEIR NEEDS ARE DIFFERENT

WHAT THEY DON'T LIKE

43%
LONG DELIVERY TIME

33%

HIDDEN COST

31%

LANGUAGE BARRIERS

27%

UNCERTAIN RELIABILITY

26%

DIFFICULT RETURNS

To get quality merchandise they're willing to put up with the complications of buying from overseas retailers. But they want a better cross-border shopping experience.

WHAT THEY WANT

"Product authenticity guaranteed"

"Simpler shopping process"

"Detailed product information"

"Chinese language customer service"

"Faster, cheaper shipping"

"Secure payment system"

Cross-Border E-Commerce

China plugs import tax loophole

CHINA'S NEW IMPORT TAX POLICIES [8/4/2016]

WORTH THE ATTENTION OF THE WHOLE INDUSTRY

1 In order to create a fair market environment and facilitate the sound development of cross-border e-commerce retail imports, the Ministry of Finance, General Administration of Customs and State Finance, General Administration of Customs and State Administration of Taxation on the Tax Policy for Cross-Border E-Commerce Retail Imports (***Cai Guan Shui [2016] No. 18***) on 24 March 2016 to adjust the tax policy for cross-border e-commerce retail (business to consumer or B2C) imports.

In addition to the cross-border e-commerce channel for retail imports, there exist other channels for importing personal articles in China.

2 Therefore, in order to improve the policy of import tax on imported articles, the Customs Tariff Commission of the State Council on Issues Pertaining to the Adjustment of Import Tax for Imported Articles (***Shui Wei Hui [2016] No. 2***) on 16 March 2016 to revise the classification of imported articles and adjust corresponding import tax rates of imported articles.

Effective from 8 April 2016.

HIGHLIGHTS

- 1 Imported cross-border e-commerce retail goods will be subject to **import tariff**, as well as **import VAT** and **consumption tax**, which are imposed on the general imported goods;
- 2 The **limit for a single transaction** of imported cross-border e-commerce retail goods is **RMB2,000**, and the limit for an individual's **yearly transactions** is **RMB20,000**. The interim tariff rate of 0% is applied to cross-border e-commerce retail goods imported within the limit; import VAT and consumption tax will no longer be exempt and be levied **temporarily** at **70%** of **statutory taxable amounts**. **Single item of inseparable goods** with a dutiable value of **over RMB2,000** will be levied in **full as general trade**;
- 3 An individual can apply for **tax refunds** if imported cross-border e-commerce retail goods are returned **within 30 days after customs release**;
- 4 Adjustments are also made to import tax rates of imported articles which are to be divided into **three categories** (Category I, II and III) corresponding to **tax rates of 15%, 30% and 60%**.

B2C E-COMMERCE BEFORE AND AFTER

TAXES ON SOME GOODS IMPORTED VIA CROSS-BORDER E-COMMERCE FIRMS

CATEGORIES	BEFORE	AFTER		CHANGE
	TAX RATE (%) [*]	VALUE-ADDED TAX (%)	CONSUMPTION Tax (%)	
Maternal & infant care; food; health care; daily consumables (Goods of value equal to or above 500 Yuan)	10	11.9		▲ 1.9
Maternal & infant care; food; health care; daily consumables (Below 500 Yuan)	0	11.9		▲ 11.9
Cosmetics (items subject to consumption tax) (Equal to or above 100 Yuan)	50	11.9	21	▼ 11.7
Cosmetics (items subject to consumption tax) (Below 100 Yuan)	0	11.9	21	▲ 32.9
Cosmetics; personal care (Equal to or above 100 Yuan)	50	11.9		▼ 38.1
Cosmetics; personal care (Below 100 Yuan)	0	11.9		▲ 11.9
Clothing; electrical appliances; watches; bicycles (Equal to or above 250 Yuan)	20	11.9		▼ 8.1
Clothing; electrical appliances; watches; bicycles (Below 250 Yuan)	0	11.9		▲ 11.9

**A tax is levied on baggage and articles accompanying incoming passengers and personal postal articles.*

Observations

OBSERVATIONS

- ▶ Imported cross-border e-commerce retail goods and non-trade personal articles **clearly defined**;
- ▶ **Clarification** of relevant comprehensive tax policies beneficial for the **long-term development** of the industry;
- ▶ Adjustments to the comprehensive tax rate structure for import tax beneficial for **growing a fair business environment**;
- ▶ **Inevitable adjustments** to the industry of cross-border e-commerce imports.
- ▶ **Specific quality inspection, control and quarantine regulations have not been issued yet**, which may force some retailers of personal care products (such as food and cosmetics) to continue their wait-and-see attitude.

IMPLICATIONS FOR BRANDS

For some brands, more than 50% of sales to Chinese nationals are taking place overseas - from purchases made while on location and from purchases made through “offshore” websites (HAI TAO).

For new brands, without operations on the ground in China, this is great. New brands can look to strategies where they continue selling through offshore sites, marketing directly to China, (potentially) without costly local operations.

Larger, more established brands need to embrace this challenge by aligning China marketing to Global sales (to Chinese) - with more comprehensive CRM systems and improved customer service.

