

AN INTRODUCTION TO

E-commerce in China

Everywhere you do business

**The Canadian Trade
Commissioner Service**

tradecommissioner.gc.ca



Global Affairs
Canada

Trade Commissioner
Service

Affaires mondiales
Canada

Service des
délégés commerciaux

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The bottom of the slide features two decorative red curved lines that sweep across the width of the page. In the center, there is a logo consisting of the letters 'TCS/SPC' filled with a white diagonal hatching pattern.

TCS/SPC

As Minister of International Trade, I am pleased to present the 2017 edition of An Introduction to E-commerce in China. It is my hope that this guide will be useful for any Canadian business wanting a better understanding of e-commerce in China, and the opportunities that this online marketplace presents.

A comprehensive relationship with China is a priority for the Government of Canada. A deeper relationship between our two countries will unlock the untapped potential in our commercial ties, grow the prosperity of our middle class, and create new opportunities for Canadian businesses of all sizes.

As Canada's "Chief Marketing Officer", I am keen to support this effort. I recently had the pleasure of conducting a six-day visit to China. A highlight of my trip was getting a first-hand look at the exciting e-commerce opportunities that China offers. The digital environment is a key springboard for Canadian small and medium-sized enterprises (SMEs) looking to enter the Chinese market. With its expert market knowledge, local contacts and on-the-ground support throughout 15 points of service in China, the Canadian Trade Commissioner Service is eager to help our SMEs navigate this marketplace and make informed business decisions.

This guidebook builds on many of the Trade Commissioner Service's e-commerce initiatives in China, including roadshows and buyers missions to Canada, as well as launching important initiatives such as the Canadian Pavilion on Tmall Global and the Canadian Fresh Food Pavilion on JD.com. This year's edition provides expanded coverage on topics such as managing online business risks and protecting intellectual property. It also adds new chapters on using social media tools to build brand awareness and features Alibaba business solutions tailored to Canadian SMEs.

I encourage Canadian companies of all sizes to explore export opportunities in China, and to consider the tremendous potential that e-commerce represents in the Chinese market. I am confident that this guidebook will provide Canadian companies with the information and resources they need to take the plunge with confidence.

Sincerely,



The Honourable François-Philippe Champagne
Minister of International Trade

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The Canadian Trade Commissioner Service

China Network



★ **Embassy of Canada in China:** Beijing

○ **Consulate Generals:** Shanghai, Guangzhou, Chongqing, Hong Kong

▲ **Canadian Trade Offices:** Shenyang, Qingdao, Nanjing, Wuhan, Chengdu, Shenzhen, Xi'an, Xiamen, Hangzhou and Tianjin

How the Trade Commissioner Service Can Help

With a presence in more than 160 cities worldwide, the Canadian Trade Commissioner Service (TCS) promotes Canadian economic interests in global markets and can help your company navigate the complexities of international expansion. Our knowledge comes from helping thousands of companies each year tackle concrete problems and pursue opportunities in foreign markets. We have privileged access to foreign governments, key business leaders and decision-makers because we are part of Canada's embassies and consulates. Our business contacts include potential-customers, distributors, sources of finance or investment, technology partners and other intermediaries.

Within China, our network of Trade Commissioners can provide you with expert advice - whether you are exporting, investing, partnering in market or considering the market. We can help you:

- ✓ Assess market potential for your company
- ✓ Prepare for your entrance to international markets
- ✓ Help solve problems
- ✓ Provide qualified contacts

China Network E-commerce Team

The Trade Commissioner Service has a dedicated team in China focusing on e-commerce. Led by our Consulate General in Shanghai, the e-commerce team is dedicated to keeping up with the latest policies, trends and developments of China's fast moving e-commerce landscape, to help you stay ahead of the curve. As the project lead to develop this China e-commerce guidebook, the Consulate General of Canada in Shanghai would like to thank Agriculture and Agri-Food Canada as well as Trade Commissioners at the Embassy in Beijing, the Consulates in Guangzhou and Chongqing for their contributions to both the 2016 and 2017 editions.

If you have any specific e-commerce related inquiries or need more information about e-commerce in China, please:

- Visit the China e-commerce portal (<http://tradecommissioner.gc.ca/china/e-commerce>)
- Contact us at: infocentrechina@international.gc.ca

For Canadian SMEs interested in doing business in China, the TCS encourages you to visit the Canadian SME Gateway, which provides content on:

- ✓ Interviews with market experts
- ✓ Webinars
- ✓ Online resources and articles



<http://tradecommissioner.gc.ca/smegateway>



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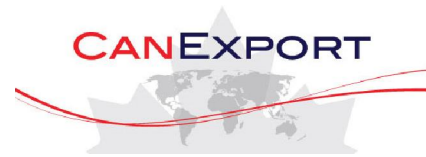
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CanExport



Canadian companies seeking for export support are also encouraged to look at CanExport program. Delivered by the Trade Commissioner Service (TCS) of Global Affairs Canada, in partnership with the National Research Council Industrial Research Assistance Program (NRC-IRAP), CanExport is one of the building blocks of the government's export strategy.

The CanExport program is a five-year, \$50-million Government of Canada program launched in January 2016 that provides direct financial assistance to small and medium-sized businesses (SMEs) registered in Canada that are seeking to develop new export opportunities and markets, especially high-growth emerging markets.

CanExport is open, with few exceptions, to all industry sectors. Agriculture and ag-food companies looking for export are eligible to apply through Agriculture and Agri-Food Canada's Agrimarketing program.

For more details on the program, please visit <http://international.gc.ca/trade-commerce/funding-financement/canexport>

E-commerce in Hong Kong

For those interested in exploring cross-border e-commerce opportunities via Hong Kong or are interested in selling products in Hong Kong through e-commerce, please note that a separate guidebook on e-commerce in Hong Kong is also available. For a copy of this document and for more information about Hong Kong, please contact the Trade Commissioner Service at the Consulate General of Canada in Hong Kong and Macao at the following address: canadatrade.hkong@international.gc.ca

The TCS strongly recommends that readers obtain independent legal, financial and related forms of professional advice prior to acting upon information in this report. The TCS assumes no responsibility for any company, product or service mentioned in this report, nor for any act or omission of any business connected with such products and services.

Introduction

The rapid expansion of e-commerce in China has grabbed headlines around the world and reshaped the business landscape for both foreign and domestic firms. Already the world's largest, China's e-commerce market has grown by 50% per year since 2011, and is expected to be worth USD\$1 trillion by 2019. Canadian companies looking to export to China should consider the opportunities the country's online commerce sector presents.

In a country where traditional channels of commerce are fragmented and often not consumer friendly, e-commerce provides customers with an abundance of choice, accessibility, easily-managed returns (not prevalent in other channels in China), and confidence in vendors at a clear price point. Millions of Chinese are now purchasing foreign products, including those in developing regions, which were unavailable even just a few years ago.

Canada's high quality goods and services are in demand. Despite domestic economic challenges, Chinese consumers particularly the emerging middle class are spending more than ever before in online marketplaces. Cross-border e-commerce can help Canadian exporters meet the aspirations of millions of Chinese seeking premium foreign products. Issues surrounding the safety of domestic products have pushed consumers to look abroad for brands with a strong reputation and a focus on quality. Demand is strongest in areas such as high quality foods, natural alternatives to artificial products, cosmetics, and healthcare products.

For Canadian exporters, selling online in China can be as simple as shipping directly from Canada to the consumer, or via engaging one of several 3rd party service providers who can facilitate the entire logistics process, including

customs, branding, marketing and payment. In what traditionally has been a difficult market for smaller Canadian companies to access, e-commerce provides a relatively straightforward path to gaining a foothold in China.

While the attraction is clear, the decision to engage in e-commerce in China is not without its own challenges and risks. Government policies regulating the marketplace are dense, complicated and prone to change without notice. Concerns over the protection of intellectual property are valid and must be managed appropriately. Canadian companies must recognize that the Chinese e-commerce market is extremely competitive, and merely getting listed on a Chinese marketplace is not enough to succeed. Successful market entry requires a well thought-out business model and the ongoing commitment of resources, both financial and managerial, to ensure products are branded and marketed effectively for a Chinese audience, and sold at a profit.

This guidebook is designed to walk you through the various decision points required for entering China via e-commerce channels, and provide you with some of the tools to begin making an informed decision.

The Canadian Trade Commissioner Service ('TCS' www.tradecommissioner.gc.ca) with its network of resources in China, including a dedicated team focusing on e-commerce, is available to Canadian companies interested in learning more about the topics presented in this guidebook. For specific questions, the TCS in China can be contacted at **InfocentreChina@international.gc.ca**.