



E-COMMERCE – evolution of sales channels in Asia

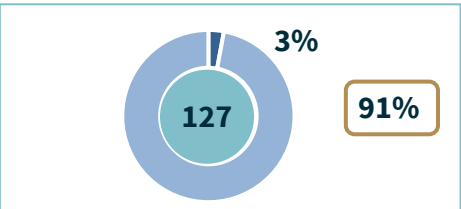
Companies are using digital technologies and leveraging mobile and cloud solutions to get closer to consumers and to **bring all stakeholders together on one digital platform**. Fueled by the strong adoption of digital platform business models, **e-commerce sales** account for almost **22% of worldwide retail sales**, with sales in 2021 reaching **4.3 trln EUR** and a **CAGR of 14.3%**.

With the exploding digital development and **mobile-first online access** in the AP region, **the adaption of e-commerce through platforms** has strongly accelerated. China is by far the largest and fastest growing e-commerce market, **capturing almost 52% of worldwide e-commerce value**. Despite the national internet penetration (69%) being comparatively lower than European countries, the impact is compensated by high penetration and usage of mobile devices for e-commerce transactions.

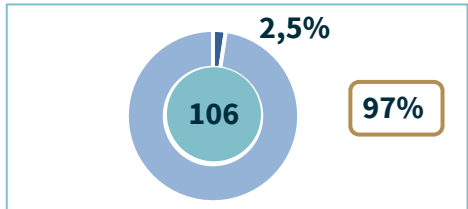
China



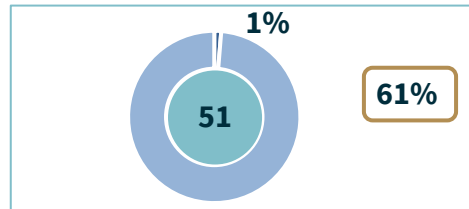
Japan



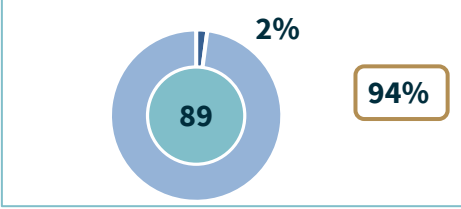
South Korea



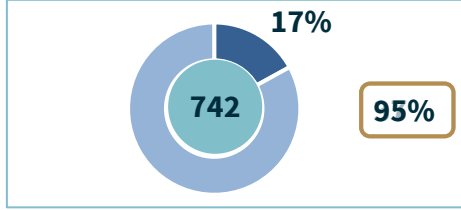
India



Germany



Unites States of America



Global retail e-commerce for 2021: 4.3 trln EUR, 14% CAGR



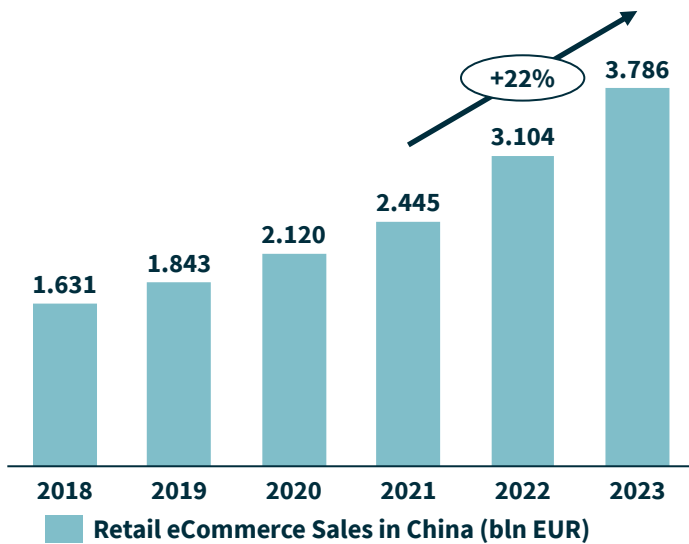
Asia Pacific region capturing 60% of global value



E-COMMERCE IN CHINA – a lucrative and balanced market

With a uniform distribution between the main retail sub-segments, a growing Chinese e-commerce market provides **opportunities for multiple industries and product categories**. E-commerce sales in China is **growing at >22% CAGR**, almost two times the global average. The growth pattern is expected to continue for the foreseeable future with the assumption of slowing down post 2025.

E-commerce sales in China (bln EUR)



Purchase potential of young buyers in China

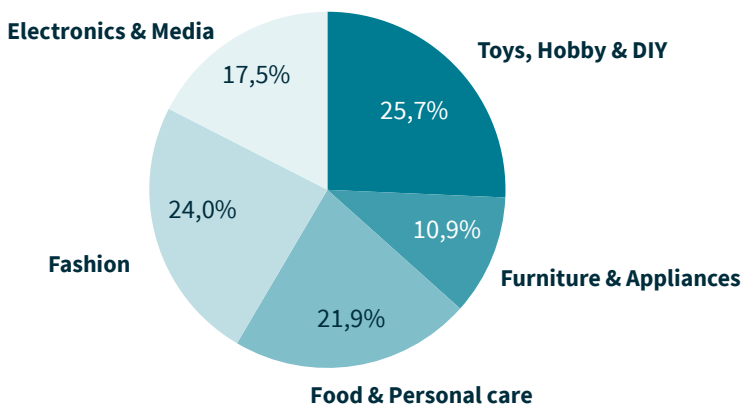
>800 mio MAU (monthly active users) for **local e-commerce**

> 300 mio MAU (monthly active users) for **cross border e-commerce** (CBEC)

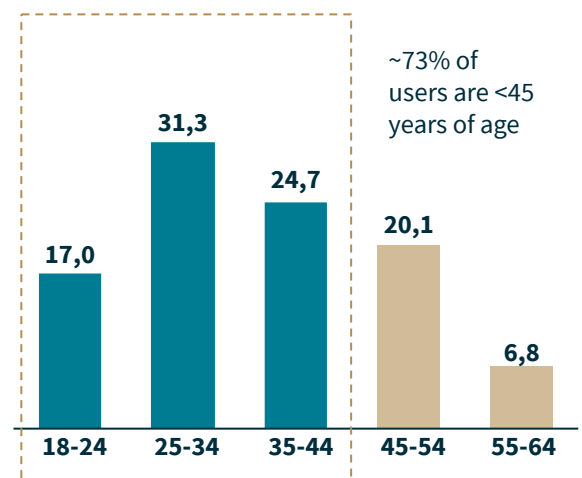
Segments comprising of younger age groups (18-44 years) exhibit digital affinity more than the others with a focus on brands with digital presence:

- Multi-channel and **omnichannel retail** is gaining momentum
- **Digital payments** contributing ~80% of total sales

E-commerce segment sales distribution 2021 in China



Age-wise distribution of e-commerce users





E-COMMERCE IN CHINA – triggers for success

E-commerce in China is a constant and fast evolving, innovative market. What imposes challenges for companies is the **selection of the correct business model and partners**. The market for foreign, high-quality, luxury and premium brands is growing fast, therefore companies need to **gain a clear understanding of the best platforms, correct business models (e.g. local or remote) and collaborators** for their operations. Some of the most **important triggers for success**, next to branding and pricing, are illustrated as below:

OMNICHANNEL RETAIL

Offering seamless customer experience across all points of contact is the new normal. Consumers **want to interact with their brand** while making a buying decision, leading to a **booming O2O market**. Companies aiming to create a more **evolved user experience** across all touchpoints (payments, delivery, marketing)

CROSS BORDER E-COMMERCE (CBEC)

High demand for **CBEC product sales in China is showing an expanding market**. **Sales volumes for foreign luxury products, which are perceived as high-quality**, is growing exponentially in China. **Growth subsegments: food & beverage, baby products, health-tech, toys & games, cosmetics, and luxury goods**

GROUP BUYING

Platforms are incentivizing group buying with heavy discounts to expand their reach. Buyers, especially from Tier III cities & rural areas are taking advantage of significantly reduced prices by pooling friends and families together to buy in groups. **Pinduoduo**, who made this model popular, is now also being imitated by JD and Alibaba

LIPSTICK EFFECT

High-end brands boost their sales through small ticket luxury items. Companies in the luxury sector faced the issue of reduced overall sales during the pandemic but rather experienced an **increase in sales of lower-end portfolio products** as a result of modified buying habits during the pandemic

References for EAC e-Commerce Projects


*E-Commerce
Go-to-market strategy*


*China e-commerce
ecosystem analysis*

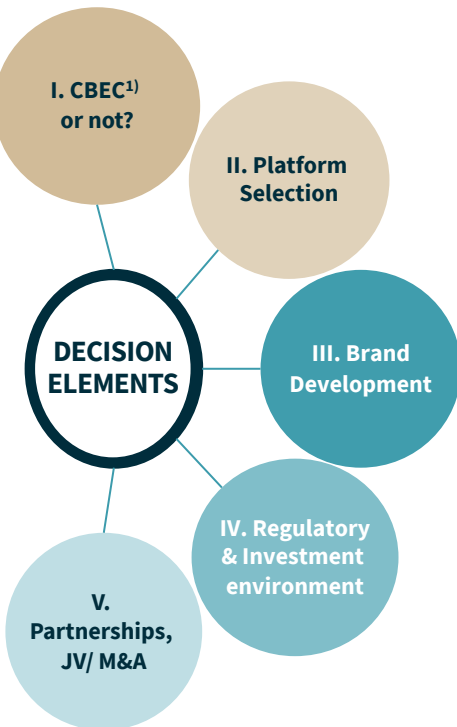

*China E-commerce sales
channel assessment*


*China cross-border
e-commerce strategy*

SIEMENS
*Start-up landscape IoT/
AI/ Digitalization China*


*Data analysis tool
development*

E-COMMERCE IN CHINA – Challenges and EAC solution



I	<i>CBEC accounts for 4% of online retail GMV²⁾ in China. Companies need to decide between working from home country to limit costs or setting up a local unit to target a bigger share of the pie</i>
II	Every marketplace platform is different in terms of regional focus, its customers, business model and partners (e.g. Tmall, JD, XiaoHongShu etc.). Choosing the right platform is crucial
III	Chinese consumers prefer European brands in the premium segments (for health, wellness, luxury etc.); however, branding in China requires consistent and sustained local marketing
IV	The regulatory environment in China has a strong influence on e-commerce business policies and related platform providers, making it unavoidable to understand and comply with set rules and regulations, hence understanding related T&Cs
V	With the influx of investment in China for M&A/ JVs with local Chinese brands, choosing the right investment target & funding partner is a critical element

EAC will help answer most important queries and enable you to become successful in China

MARKET & PRODUCT STRATEGY

- Market and competitive analysis
- Go-to-Market & innovation strategy
- Product design-to-value creation
- Portfolio diversification

PLATFORM SELECTION

- Selection of best fit platform/s
 - CBEC or local e-commerce
 - use of own website vs. third party platforms
 - marketplace vs e-retailers
- Business Modelling

MARKETING AND BRANDING

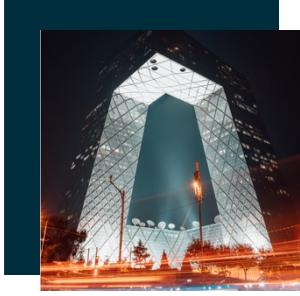
- Product landscape and presentation
 - product characterization, USPs, pricing etc
- Customer engagement and success measurement
- Business and Environmental Sustainability

PARTNERSHIP ECOSYSTEM

- Best fit local partners/ localization
 - vertical integration vs. outsourcing
- Strategic/ tactical co-operation and distribution
- M&A, JV, investment target selection support

¹⁾ Cross Border e-Commerce

²⁾ Gross Merchandise Value



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Unmesh Lohite



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