A Ferris wheel at night, illuminated with lights, with its reflection visible on the water below. The scene is dark, with the lights of the Ferris wheel and the water's surface providing the primary illumination.

# CHENG CHAO

## Sell Online to China

Your Opportunity in China's Booming  
Cross-border eCommerce Market

# Sell Online

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# To China

Your Opportunity in China's  
Booming Cross-border eCommerce Market

CHENG CHAO



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# Foreword

Chinese consumers keep buying more online, either in domestic web stores or in cross border ones. The strong demand for foreign goods brings a big opportunity for you to enter into the China market.

China market entry becomes quite different now and many traditional ways of marketing are not working.

Selling online to China will cost you much less money and time to understand the market and get results.

You can start your branding from day one and build your sales network on early stage

## Are You Ready to Sell Online to China?

Here is a little test with multiple questions.

1. What's the situation of online shopping in China?
2. Why Chinese people love foreign brands?
3. Who are the Chinese cross-border online shoppers?
4. Why do Chinese consumers buy foreign products?



## SELL ONLINE TO CHINA

5. What do they buy?
6. What are the most favorite foreign brands?
7. How do they buy?
8. What is a typical shopping journey?
9. Who is making money?
10. What is the Haitao experience?
11. What is the domestic eCommerce experience?
12. What do Chinese consumers expect?
13. What are the government regulations?
14. How does the cross-border eCommerce change in China?
15. What are import eCommerce models in China?
16. Who are the major players in the Markets?
17. What is the Positive List?
18. How will the new Import tax affect the market?
19. What will be the market trend?
20. When would a Chinese consumer buy on your store?
21. What are the major challenges for your brand?



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22. What will be the step by step market entry strategy?
23. What are the choices of logistics models?
24. How do you plan your payment strategy?
25. What is a good localization strategy?
26. How to localize your web store?
27. What are the common Chinese SEO mistakes?
28. What should be done before launching your web store?
29. How to start your business in China?
30. How to establish your distribution network in China?
31. What Chinese business etiquette I need to follow in China?

It is not easy, right?

Actually they are frequently asked questions in my consulting cases. I believe you have found some questions exactly the same in your mind. Please take some time to read this book and you will find all the answers.



## Why I Wrote This Book

Communication and Trust are the key words to succeed in China.

Your chance here is tiny if you do not understand Chinese consumers.

I included several real life stories to reveal how the online shopping changed life here in China. I also interviewed a dozen Chinese online shoppers to understand what they are thinking, what they are buying, what are their concerns and what are the most annoying experiences.

### This book will help you:

- Create your own step by step China market entry strategy.
- Understand the history, evolution and current situation of import eCommerce in China.
- Find out who are the major players in the market and who might be your potential partners.
- Discover the needs and wants of Chinese cross-border consumers and understand their behaviors.
- Localize your web store and turn Chinese visitors into real buyers.

I help overseas business owners analyze their business opportunities in China, draft the market entry strategy and develop the sales network.



## SELL ONLINE TO CHINA

You don't need to invent the wheels, just learn from the wisdom from others.

You can find many guidelines and tips in the book. They will help you understand Chinese culture better, and avoid common mistakes made by many other foreign merchants.

Drop me a line and let me know your insights after reading the book.

Good luck with your business in China and Happy Selling!

---- **Cheng Chao**

Senior Partner at SinoStep, Founder of ChineseTrans

Shanghai, China

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# Part 1 A Booming Cross-border eCommerce Market

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## Online Shopping In China

Yi, my wife, is the good purchase officer of my family.

She buy most of the apparels and fresh fruits online on Taobao, Tmall and a few other sites.

Yi buys face masks, facial water (I always wondering why such water is selling so well), honey, fish oil, black sugar, milk powders and many things I don't know from Japan, Korea, Australia or New Zealand, and somewhere I don't know through different overseas purchase agents or friends.

And Yi even bought a mobile phone and a big Korean air purifier at JD.com earlier this year.

I buy almost all cameras, computers, printers, mobile phones (yes, I bought quite a few of all the mentioned items) , snacks, books, and toys online.

### **New Lifestyle**

Nowadays, Chinese consumers prefer to buy almost everything online, if they could.



They will check online prices for products they are interested in physical stores.

They read and share product information, discounts in Wechat moments, Weibo tweets, QQ groups, online forums, and shopping communities.

At the same time, everyone has some friends, who are running online stores, or he/she owns one.

### **Largest Online Retail Market**

- eCommerce retail spending in China will reach \$1 trillion by 2019, according to a forecast by Forrester in 2015.
- China has already become the world's largest online retail market in 2013, when total sales reached \$307 billion.

I believe you can find more data to verify your business potential here.

### **Buy More Foreign Brands**

Many foreign brands are not available in China market, or cost too much here.

Chinese consumers buy a lot during overseas travels.



## Leo's Prada

Luxury goods in China normally cost about 30-100% more than in the foreign market.

A same pair of Prada shoes (2EG015\_P39\_F0632\_F\_X006) selling at €795 (about \$886) in Paris, will be sold at RMB10,800 (about \$1651) in Shanghai physical stores.



The screenshot shows the Prada website interface. At the top left is the Prada logo, and at the top right is a 'MENU' button with a hamburger icon. Below the logo is a navigation link '< Indietro'. The main content area features a large image of a pair of black, brogue-style lace-up shoes with a thick, layered sole. To the left of this main image is a vertical column of five smaller thumbnail images showing different views of the shoes. To the right of the main image, the product name 'allacciate' is displayed in a large font, followed by the product code '2EG015\_P39\_F0632\_F\_X006'. Below this, the color is listed as 'colore nero'. A 'seleziona la taglia' dropdown menu is present, with a 'guida alle taglie' link underneath. A section titled '\_descrizione' includes the text: 'Allacciata in pelle di vitello spazzolato monocolore', 'Fondo composto da più strati: cuoio, corda e micro con bande colorate', and 'Punta con motivo a coda di rondine'. The price '€ 795' is shown in a large font. Below the price is a button labeled 'aggiungi al carrello'. At the bottom of the product information, there is a '\_share' section with icons for Facebook, Twitter, Tumblr, Pinterest, and Print.

*The shoe page on the Prada official Italian web store*

Leo, my business partner, bought the same shoe at €245 from a purchase agent.

## Fake and Safety

Fake or counterfeit products is a topic we could not avoid for the China market.

Fake products of LV, Valentino, Hermes, Crocodile, Rolex are widely available in the market.

Many merchants sell fake luxury brands at very low price to customers who are willing to buy fake ones, and some are selling at high prices to cheat customers.

### Tell Real From Fake

Affluent Chinese consumers are willing to buy at western markets, either online or offline, because there are fewer fake products.

Telling genuine from fake is still difficult on China local cross-border platforms.

Direct shipping from overseas brand stores always makes Chinese customers feel more convincing to buy real products.

Counterfeiting is another interesting topic. When you have a recognized brand here, you need a proper strategy.



## How Do Chinese Online Shoppers Buy?

Chinese shoppers have been engaged in cross-border import trade over recent years.

Buying overseas products is generally referred to as “HaiTao” in Chinese.

“Hai” (Sea) means overseas, “Tao” (Search) means find and purchase.

### Official Brand Web Store

It is the most reliable way for Chinese consumers to buy if they know your brand.

In the beginning, most foreign e-Commerce sites don't offer the direct shipping service to China. Chinese consumers bought through overseas e-commerce sites, and ship the purchased products back to China through intermediary shipping companies.

Language barriers, different payment, customer service and after-sales service are also obstacles for average Chinese consumers.



## Import eCommerce Models In China

It is quite difficult to categorize the import eCommerce models in China since I did not learn how to be a good librarian.

Some of the following 12 models might be overlapping due to the different rules.

Another reason might be that the market is way too dynamic and some companies have also changed their strategies.

Let me know how to improve this.

### 1. Big Cross-border B2C Platform

For companies without local legal entity in China, the most common solutions to reach Chinese consumers directly is through self-developed e-commerce website or getting listed on Tmall Global.



## 10. Live Broadcasting

This model is really crazy at the first sight.

Bolome shares live videos of the real scenes that the overseas buyer purchasing in the store. Users can communicate directly in the real time.

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**波罗蜜**

全球购

只卖当地店头价



直播 42443次

介绍 购买 聊天室

山田养蜂场 4688人 分享

5月30日 12:30 东京 山田养蜂场八重洲店

山田养蜂场是日本最大的蜂产品企业，1948年创业以来坚持用心制作每一滴蜂蜜。追求卓越的匠人精神使得山田养蜂场荣获世界优质食品博览会最高奖项。

一元换购 抢红包 赢免单

山田养蜂场 皓丽莱 护肤体验装旅行装 5件套 【一元换购】

¥1 188元

店头价：2160円

1元换购

## 11. Celebrity Investment

Online celebrity economy got its position in China Cross-border eCommerce.

In the latest year, it's interesting to have similar news again and again, that a familiar name became the shareholder of some Cross-border eCommerce company.



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<b>Applicable tax</b>	Will be treated as traditional trade, therefore subject to: <ul style="list-style-type: none"><li>• customs duty</li><li>• VAT</li><li>• And consumption tax</li></ul>	Will be treated as traditional trade, therefore subject to: <ul style="list-style-type: none"><li>• customs duty</li><li>• VAT</li><li>• And consumption tax</li></ul>
-----------------------	--	--

## Positive List

Positive List is a more serious challenge and brings more negative effect.

It prohibits sales of certain categories of goods on China domestic cross-border eCommerce platforms, esp. those with bonded warehouse model.

### What is the Positive List?

The Positive List includes eight categories of products (accounting for 1,293 different tariff lines in total) and covers food and beverages, clothing, footwear, hats, home appliances, cosmetics, diapers, kid's toys, Vacuum cups and other items commonly purchased by Chinese consumers on e-commerce platforms.

The Positive List excludes products requiring special licenses or filings under PRC law. Those include a number of health food products, specialty foods, medical devices, and first-time imported cosmetics which require special registration.

### Milk Products

---



# Part 3 Understand Chinese Consumers

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## The “HaiTao” Experience

### Purchase From Overseas Shopping Websites

Consumers place orders directly on overseas shopping websites.

#### Reliable and “Best” way

Actually it is the best way of HaiTao in my eyes if you can have a fully localized web store designed for Chinese consumers.

It is reliable to provide authentic products.

But not every overseas shopping website is user friendly to Chinese consumers.

### Poor Shopping Experience

Many Chinese users feel it difficult to read the text and follow the order process.

Chinese consumers need to

- be the language expert to understand what the website tells.



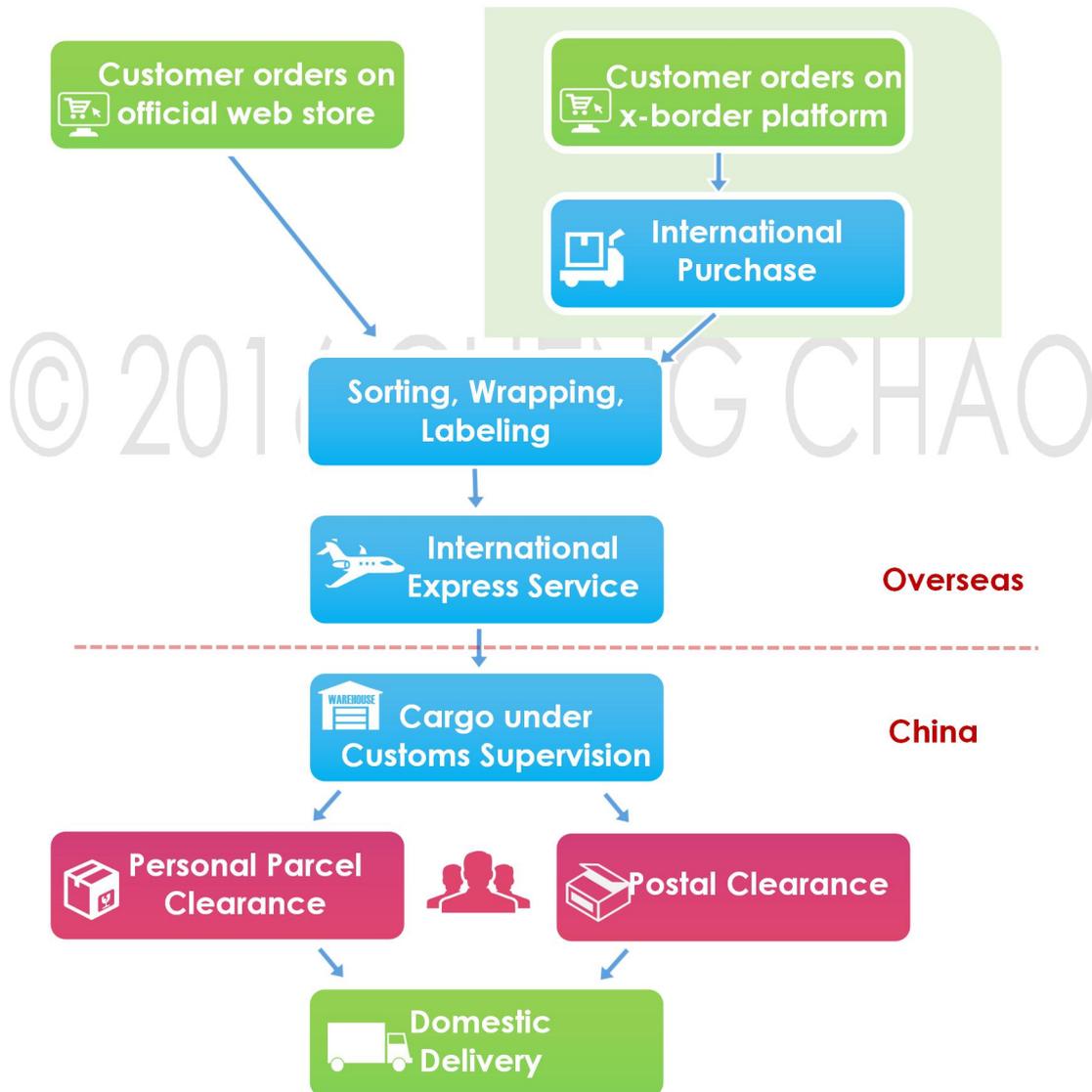
# Part 4 China Market Entry

## Strategy for Foreign Merchants

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## Direct Shipping Model



## Localization Strategy

You must have seen and heard funny stories about how brands have delivered the wrong message when marketing to China.

How to localize your business to meet the needs and wants of Chinese consumers?

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**Localization is about what the market thinks, not about what you think.**

### Understand the Culture

Try to understand the established customs and traditions, no matter how different they are in the western world.

Follow the [business etiquette in China](#), and you will know the basics how to do business with Chinese.

Seeing is believing, you should come to China, but with proper guidance with local people.

Only when you see more people and go to more places, you will have a full picture.



## Part 5 Localize Your Web Store

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## Poor Localization

Chinese consumers prefer buying on web stores in Chinese. They find many western web stores difficult to use even though many of them understand some English. You will lose a lot of traffic if your web store does not support Chinese.

Many web store had the site translated, but in the wrong way. Poor localization will ruin your brand image in the China market.

### Frighten The Customers

Bad localization will easily frighten the customers and let them stay away from you.

Chinese Consumers will

- think the product quality might not be what you describe,
- be afraid that you are not a professional seller,
- doubt whether you are selling genuine products.
- be worried, whether the size is converted or not,
- be worried, whether they can talk to you if there is any issue for the order.



### 3. Top Quality Human Translation + Localization Diagnosis

Machine translation and poor quality human translation are not your choice, and they always bring negative feedback.

What you need is a full web store localization with [top quality Chinese human translation](#) and [China eCommerce expertise](#).

Make sure you have a right localization strategy to cover all the points to be taken care of: marketing, cultural, content, technical, etc.

Translate the necessary content in the professional way, or write your own copies for the China market.

Adapt your web store to the Chinese culture.



# Chinese Web Store Launch Checklist

When launching your Chinese web store, you can often forget a number of things in your eagerness to make it live.

This section reviews the most important and necessary checks before the official launch of your Chinese web store.

[This check list](#) will be helpful for you to avoid unnecessary costs and some common mistakes, esp. when you do not have much knowledge about Chinese market and the internet situation.

## 1. Chinese Marketing Check

### Target Market

Where are your target market? You must be well aware where exactly your Chinese market is, Mainland China, HongKong & Macau, Taiwan, Singapore, South-East Asia, or Overseas Chinese communities?

You will face different localization standards based on the different countries/districts you chose.



# Avoid Common Mistakes of Chinese SEO

After you [launch your Chinese web store](#), the most important job is to implement your Chinese online marketing strategy.

Most people think they can win at China SEO, especially when they had experience about English SEO.

I will show you common Chinese SEO mistakes that will ruin your online marketing efforts.

## **Mistake #1 Short-term thinking**

If you optimize your Chinese store today, you won't see the results of your work tomorrow. You might not see very obvious results even after a couple of months. Chinese SEO takes time to pay off.

Never give up too soon, it means you admit the failure.

You need a strategic plan and prepare a Chinese Digital marketing to-do-list. Analyze your possible risks and necessary jobs you have to do and remember checking it from time to time.

The right way is to be patient, and keep working on your long term



## How to Choose Your Web Hosting

Web hosting is the first thing to consider for building your standalone web store .

### ICP License

The instant thinking is to host your website in Mainland China. However you need an ICP license to do this according to the local law. Without an ICP license, web hosting providers are not allowed to host your site in mainland China.

There are two types of ICP licenses: license for commercial website, and license for record.

Most websites just need the latter one.

### How to Get the ICP License?

You need a local legal entity to apply for the ICP license, which is the legal way and more safe.

or you can find a Chinese partner and register the website under the partner, the partner can be either a company or an individual for the



## SELL ONLINE TO CHINA

websites targeting on China market.

You can **get \$10 in credit** by [clicking this link to Digital Ocean](#).

### **CHOICE TWO: Host Your Website in USA and Europe**

Websites hosted in USA and Europe are usually a little slower.

But they can still be good choices considering advanced technology, way much better service and customer support.

- InMotion Hosting
- [Hawkhost](#)



# Effective Copywriting for Your Chinese Web Store

A great Chinese web store with effective Chinese copies will sell more.

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## What's Your Market?

Chinese market is so different from others so that you need professional local services to help you achieve your goal.

First identify your target market.

- Mainland China
- HongKong
- Macau
- Taiwan
- Singapore & South-East Asia
- Other Chinese Market (China towns, Chinese Communities...)

## What Shall Be Written In Chinese?

---



## SELL ONLINE TO CHINA

Find some one in your target market as the focus group to review the copies.

Get feedback and improve the copy.

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## Part 6 Doing Business in China

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# How to Start Your Business in China

All foreign business owners need to face the complete different culture in China and the way to do business.

In the last 5 years, we'd helped many overseas businesses enter into the China market.

Here are some tips to start your business in China

## 1. Do Your Research

Market research is an important part of your preparation and business planning.

Do not reinvent the wheels.

### First Two Questions

- **Is it legal in China?**

Forget it if it is illegal in China.

Typical example is the gambling business.

- **Is it open to foreign investment?**



audience.

## **Go to China**

Buy an air ticket to China and take travels to see for yourself.

You can visit potential partners, visit your competitors as a customer:), attend trade shows or conferences, and start networking in China.

Talk to your potential customers, government officials, etc. and understand what they really want.

## **2. Pick Your Location**

It is important to understand the [China City Tiers](#) before you make the choice of location and market prioritization.

The whole Chinese market is quite unbalanced.

Generally speaking, 1st Tier cities like Shanghai, Beijing and Shenzhen, are the first choice to put your headquarters in thanks to the convenient transportation, availability of talents.

You also need to consider various factors such as cost of living, government policies, etc. it shall be more about the consideration on the specific industry.

Once you determined the place to start, you can look for the office



foreign business owner and the Chinese partner.

The most common type of entity is a wholly foreign owned enterprise (WFOE). Nowadays it is the choice of most foreign investment thanks to the full control of the business.

A WFOE is becoming easier to register than before, however, it is still quite complicated and takes more time to get approval from the government.

#### **4. Find A Chinese Partner, or more**

This is not a must, however, for small to medium companies, a good and trustworthy Chinese partner will facilitate a lot of things for the business in China.

It is a culture where relationships are more important than contracts.

You need this kind of relationship to start your business in China.

The partner could be

- your local representative
- your distributors
- your major suppliers
- a digital marketing partner
- a PR partner



- a freight forwarder
- a China customs clearance agent
- other subcontractors

### **5. Work With Advisers, Consulting Agencies**

Find a local representative or consulting agency to register your business in China.

It will help you free from unexpected troubles and numerous questions you will face.

There are many such service providers in the market.

The smart way is to get introduced to the reputable company.

You can also find solutions for your taxation, legal issues, accounting, bank account setup, recruitment, payroll arrangement, and customs clearance etc.

### **6. Develop A Business Plan**

Develop a detailed business plan, and make your business scope as broad as possible.

It is wise to make a five-year plan and tailor it to be in accordance with China's policy trend.



Make it specific to include your location, projected revenues, product or service description, expected number of employees and budget requirements.

This is also why you need the help from your local representative.

## 7. Choose A Perfect Name

Get a Chinese name for your business.

It is easier for your to build the brand image with a good name.

I strongly advise you to find some Chinese naming professionals to do this job.

It will help you free from the risk of branding: foreign name, name with unlucky meaning, ridiculous, name, strange name, awkward name...

If you already have name candidates, you can do [Chinese brand name evaluation](#) to analyze them.

### Protect your name

Intellectual property violations shall be one of your top concerns in China.

### Company Registration Name

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documents, sometimes the government will ask for additional materials, Quick actions will win yourself more time.

The policy varies in different places, so confirmation before you are ready is quite necessary.

Also make sure you get all the necessary licenses for your business, it is different for different industries.

Dig Deeper: [How to set up a WFOE in China](#)

## 9. Open Your Bank Account

It is normally quick and easy. make sure you can easily communicate with the bank or have someone responsible for this.

## 10. Hire Your First Employee in China

You can work with some freelancers to work on your tasks occasionally in the beginning.

When you officially start your operation in China, you need to hire full-time employees.

Communication is often the biggest issue in practices. That is why language skills are important to consider above all.

Trust the professional recruitment agencies to find the suitable



candidates for you.

Just like anywhere else, good talents are not cheap. Be ready to pay what they deserves.

Do not trust the online statistics of average salaries of Chinese, get more hints from your friends and recruitment agencies.

You need to learn how much you should pay for the social welfare in China, it is not an amount you could ignore.

Once you have your first reliable managers on position, they will be able to help you hire the rest of employees.

## 11. Build Chinese Website That Can Sell

It is a common practice to have a Chinese website if you run a business in China.

### Adapt to the China market

Design your own Chinese website, or localize your existing English website in a professional way.

To make the site faster, apply for a web license and [host the site in China](#).



# Establish Your China Distribution Network

Selling to the rapidly expanding market in China is a great opportunity for most global businesses.

While many business owners may be very excited by the market potential in China, it's very difficult for them to start with the strategy and establish distribution channels in the Chinese market.

Below we offer a guide on the steps needed to effectively develop and manage distribution for your products in China.

## Step One: Identify the Market

### Market Potential

Your first step is to conduct an initial research and find out the potential demand for your product to see whether it's feasible for your business to enter into the China market.

Choose your prioritized market suitable for your products, [check China](#)



[city tiers](#) for your reference.

At this stage, you need to evaluate the market potential and further understand the competition situation in this market. => [China Business Opportunity Analysis](#)

### **Target Customers**

Find out who are your target customers and study their consumption behaviors.

You should understand there are quite a lot of differences among different local customer types.

### **Step Two: Understand Regulations**

Unlike the central planning for many products many years before, today, foreign enterprises may participate in distribution for most products in China.

However, there are still some industries which are not fully open to foreign companies in China.

It's important to find out whether foreign companies are permitted to operate in your industry in China.

Also you should collect information about relevant policies to



## Chinese Business Etiquette 101

With the large and prosperous market, China could be your most lucrative country to do business in.

But doing business in China is not simple at all.

China is considered by many businessmen to be the most difficult country to break into.

I'm sharing the basics of doing business in China as Chinese Business Etiquette 101, from my previous consulting experience helping overseas business owners enter into the China market.

You can take it as a guide to avoid common mistakes which might ruin your business in China.



### 3. Business Meeting

- Appointments in advance. If possible, serious meetings should be made between one-to-two months in advance, preferably in writing with the meeting purpose, considering the tight schedules of both parties.
- A remind call or email before the meeting is also necessary, esp. when you need to fly across half of the globe and do not want to see the door closed.
- If you do not have a contact within the company, use an intermediary to arrange a formal introduction.
- Always show up on time, or slightly early, say 5-10 minutes. Punctuality is a virtue in Chinese culture. Arriving late is an insult, If traffic delays you, always call.
- Send an agenda before the meeting so your Chinese counterpart have the time to prepare prior to the meeting. Discuss the agenda with your translator/intermediary prior to the meeting.
- Small talks are important in the meeting, and you can get many information.
- It is imperative that you bring your own interpreter or Chinese speaking local partner, be sure he/she understands the major concepts prior to the meeting.



## SELL ONLINE TO CHINA

It only takes around 5 hours from Shanghai to Beijing, which is 1318 km away and it normally needs 2.5 hours fly time.

As a foreigner, you need to verify your passport so that you can also book your train tickets online.

In peak seasons (Chinese New year and golden holidays in China), train tickets are very difficult to buy so plan your travel in advance.

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**FLIGHT**

Always compare the price for the flights, sometimes Kayak can even provide lower price than Qunar, some times it will double the price.

You need to switch off your mobile phone during the whole flight.

## HOTEL

- Pick up a hotel address card at the reception and bring it with you. Just in case your taxi driver doesn't speak a word of English.
- Find somewhere in the downtown and convenient to go everywhere, your time is more precious during your travel.

## ONLINE SALES & EXPRESS DELIVERY

You can buy almost anything online in China and get your package

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## About the Author



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Cheng Chao has extensive expertise in China market entry, global translation & localization, cross-border business development, and global digital marketing.

Chao founded [ChineseTrans](#), where he led a team of senior linguists to establish ChineseTrans as the market leader in professional Chinese translation services.

Since 2011, Chao has served as the managing director of [SinoStep](#), a consulting agency helping foreign investment enter into the China market. Backed up with a strong team of China business consultants experienced in different sectors, Chao has successfully introduced dozens of overseas brands into the China market, established their operations in China on early stage and adapted their businesses to the China market.



## SELL ONLINE TO CHINA

To download the entire 235-page book, please visit

<http://www.sinostep.com/sell-online-to-china/>

