

THE FUTURE OF CROSS-BORDER E-COMMERCE IN CHINA: A GUIDE FOR GLOBAL BRANDS



JD.COM

About *Jing Daily*

Launched in 2009, *Jing Daily* is the leading digital publication on luxury consumer trends in China. It is our mission to understand the forces shaping the future of the luxury industry by bringing our readers the latest news, analysis, features, and reports exploring developments in that landscape. We seek to understand how the definition of luxury, and by turn its consumption, are changing, how the digital landscape in China is developing, and how brands are adapting and taking advantage of those changes. Our readers are industry leaders seeking to understand China's complex and rapidly evolving luxury industry.

The Jing Group, which includes [Jing Daily](#), [China Film Insider](#), [MOVE THE MIND](#), [Jing Travel](#), and [Jing Culture & Commerce](#), is one of the most trusted English-language sources of news and information for institutions, companies, and professionals worldwide. It analyzes global trends in Chinese culture, luxury, technology, and fashion. The Jing Group also encompasses the Jing Academy, which brings together the expertise of a team with decades of experience in the China luxury, culture, technology, branded content, and travel industries.

For editorial inquiries:

Marc Einsele, marc@jingdaily.com

For partnership opportunities:

Daphne Hsia, daphne@jingdaily.com

Follow Us on WeChat



JING ACADEMY

© 2022 Herlar, LLC. All rights reserved. *Jing Daily*® is a registered U.S. trademark of Herlar, LLC.

Chapter 1	<u>Executive Summary</u>	01
Chapter 2	<u>Introduction</u>	03
Chapter 3	<u>Differences between Cross-border Import and Traditional Trade Import Business</u>	07
Chapter 4	<u>JD.com Data on Chinese Consumer Trends</u>	10
Chapter 5	Case Studies <ul style="list-style-type: none">• <u>BRAGG Apple Cider Vinegar</u>• <u>Minois Paris</u>	17
Chapter 6	<u>Best Practices</u>	22
Chapter 7	<u>Solutions: Benefits of JD Marketplace</u>	25
Chapter 8	<u>Conclusions</u>	36
Appendix	<u>FAQ</u>	38

EXECUTIVE SUMMARY

With the COVID-19 pandemic severely disrupting the global economy, global e-commerce remains a rare economic bright spot. Following a record year in 2020, during which e-commerce sales rose 25.7 percent to \$4.2 trillion*, a significant percentage of these transactions are happening cross-border. By 2022, it is estimated that upwards of one in four buyers in the United States will have made an online purchase from a merchant in a foreign country.**

E-commerce is a global industry with global opportunities. Unsurprisingly, China, with its sizable and still-growing population of affluent consumers, is a highly coveted market for cross-border e-commerce. In 2020, China was the only major economy in the world that increased trade of goods, thanks in no small part to new models of trade such as cross-border e-commerce. According to China's General Administration of Customs, imports and exports of China's cross-border e-commerce totaled 1.69 trillion yuan (\$261.5 billion) in 2020, with e-commerce imports growing 16.5 percent to 570 billion yuan (\$84.8 billion). Total cross-border e-commerce volume increased to 1.98 trillion yuan (\$295.17 billion) in 2021, a 17 percent year-on-year (YOY) increase.

In fact, China's cross-border e-commerce business is growing even faster than the overall Chinese e-commerce market, which witnessed a 14.1 percent increase in 2021, according to China's National Bureau of Statistics. Already, more than 235 million Chinese customers purchase products through cross-border e-commerce channels, and this number is set to increase each year.

However, just because China is a lucrative cross-border e-commerce destination does not mean that it is currently easy or convenient for merchants to sell to China. Various obstacles – such as local consumer outreach and China's increasingly



Image: Shutterstock

stringent e-commerce regulatory compliance regime – continue to deter many overseas brands and merchants from entering the Chinese market.

To realize the maximum potential of China's cross-border e-commerce sector, leading e-commerce infrastructure provider Shopify partnered with leading supply chain-based technology and service provider and Chinese e-commerce company JD.com to launch JD Marketplace, a resource designed for overseas merchants. JD Marketplace makes it significantly easier for overseas merchants to directly sell to Chinese consumers while also offering considerable operational flexibility to those merchants.

This white paper reviews this groundbreaking partnership in detail and presents case studies to demonstrate how JD Marketplace can improve merchants' experience when selling to China.

* Deloitte calculates global economic impact to include profit, labor income, and tax revenues. This report looks at data from our global merchant base, as well as relevant third-party data collected by Deloitte Canada. All currency is in USD.

** In this study, small businesses are defined as Shopify merchants with less than \$25 million in annual GMV.

INTRODUCTION



Image: Shopify

About Shopify

Shopify is a leading provider of essential internet infrastructure for commerce, offering trusted tools to start, grow, market, and manage a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for reliability, while delivering a better shopping experience for consumers worldwide. Proudly founded in Ottawa, Shopify powers millions of merchants in more than 175 countries and is trusted by brands such as Allbirds, Gymshark, Heinz, Tupperware, FTD, Netflix, FIGS, and many more.

Every dollar spent with an independent business has a ripple impact on the lives of the owners behind it, their local communities, families, employees, suppliers, and the world. Shopify has seen firsthand examples of its merchants pushing their industries forward, creating job opportunities in their local communities, bolstering their suppliers' businesses, and making our planet a better place to live.

It is called the Shopify Effect, and Shopify has partnered with Deloitte, a leading global consulting firm, to get a better picture of its merchants' and

partners' aggregate impact.

In 2021, Shopify merchants drove more than \$444 billion in global economic activity*, a 45 percent increase from 2020. Altogether, that would form the world's second-largest company in revenue, surpassing Amazon, Apple, BP, and Volkswagen.

Shopify merchants' success remains paramount: for every \$1 in revenue Shopify generated last year, its merchants made \$38.

Shopify merchants sold \$25+ billion worth of goods and services outside their home country in 2021. Small businesses** produced \$11 billion of those sales — that's as much as the top 6 highest-grossing superhero films combined.

* Deloitte calculates global economic impact to include profit, labor income, and tax revenues. This report looks at data from our global merchant base, as well as relevant third-party data collected by Deloitte Canada. All currency is in USD.

** In this study, small businesses are defined as Shopify merchants with less than \$2.5 million in annual GMV.

About Shopify Cross-Border E-Commerce

Shopify already powers cross-border commerce for its merchants with solutions like international domains and multicurrency support, empowering merchants to generate \$20 billion in cross-border sales in 2020 alone. But Shopify knows that the appetite for international commerce is only growing: in July 2021, over 27 percent of all

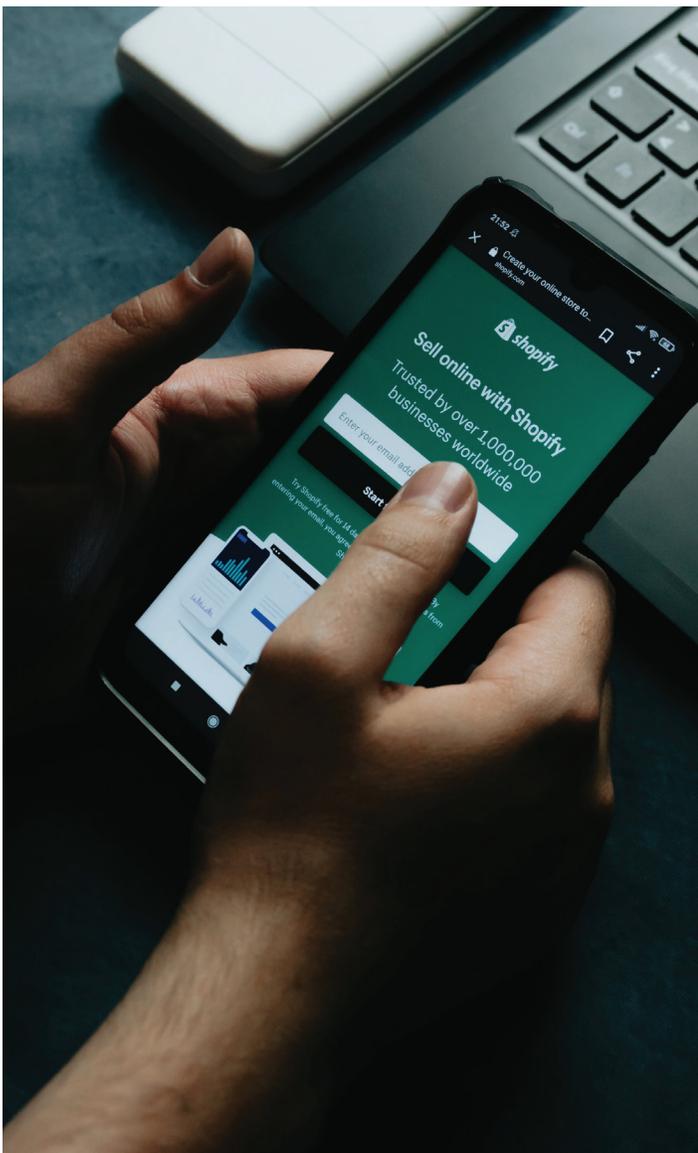


Image: Burst Shopify



Image: Shopify

“We launched the JD marketplace sales channel, opening our merchants up to the biggest e-commerce market in the world. This channel integration removes barriers to one of the most important e-commerce markets and is a major step in solving cross-border commerce for our merchants.”

- Harley Finkelstein, President, Shopify

traffic to Shopify stores came from international buyers. For merchants, selling outside of their home country can still be daunting. Complexities like currency conversion, language localization, providing local payment methods, and duty and import taxes can all act as barriers to effectively selling internationally, especially if you don't know where to start. Shopify is solving that and making Shopify global by default.

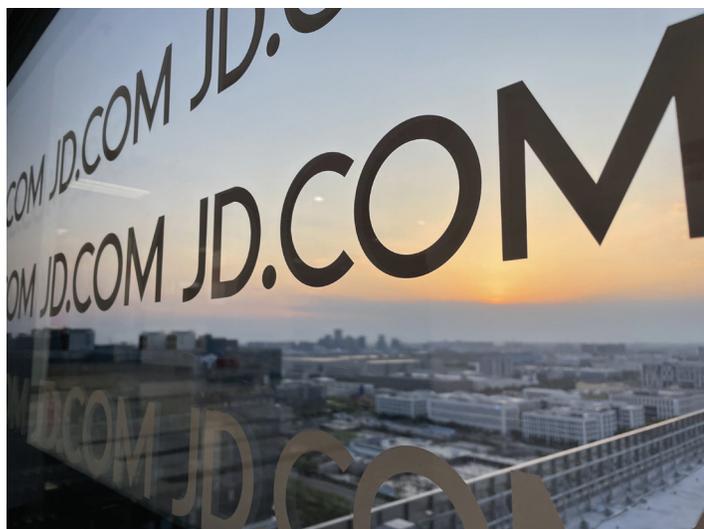


Image: JD.com

About JD.com

Introduction to JD.com:

JD.com is China's leading online retailer, providing around 570 million active customers with direct access to a wide range of authentic, high-quality products, and helping local and international brands tap into China's fast-growing e-commerce market, based on the company's world-leading supply chain ability and retail infrastructure.

JD.com has its own self-built in-house logistics network across the world, one of the largest fulfillment infrastructures of any e-commerce company in the world and also an asset the company believes to be one of its core strengths.

As a NASDAQ and HKEx listed company, JD.com is a Fortune Global 500 company, ranked 59th in 2021.

Introduction to JD Marketplace:

JD Marketplace (aka JD Worldwide outside of Shopify) is the main import business of JD.com. As the first stop for overseas brands to enter China, JD Marketplace provides an A+ platform and high-quality service for overseas merchants. JD Worldwide has attracted nearly 20,000 brands and over 10 million SKUs, covering more than 100 countries and regions.

It provides overseas merchants with omni-channel and multilingual services, diverse cooperation plans and customized support packages.

JD.com's international logistics business operates warehouses in the United States, Germany, the Netherlands, the UK, and more, with a total number of bonded and overseas warehouses reaching nearly 80. The company's logistics network in China includes over 1,300 warehouses and can deliver 90 percent of first-party orders within 24 hours.

The comprehensive fulfillment coverage network allows local and worldwide enterprises to better serve different geographic locations and provide rapid and economical delivery to a diversified consumer base. The end-to-end cross-border solutions seek to deliver between China and any other country within 48 hours.

JD Marketplace has been growing rapidly in recent years, with a 34.1 percent GMV year-on-year growth on Double 11 in 2020, and more than 100 percent GMV year-on-year growth for over 500 brands on 618 Grand Promotion in 2021.

DIFFERENCES BETWEEN CROSS-BORDER IMPORT AND TRADITIONAL TRADE IMPORT BUSINESS

Generally speaking, cross-border e-commerce has significantly lower regulatory barriers, which makes it a faster, lower-risk, easier way for international brands to start selling in China. On the flip side, large multi-national brands that are confident in their ability to move large volume in China may choose to go through traditional import channels to provide faster delivery and benefit from B2B logistics cost savings. Some of the most important comparison points for international brands to understand when getting started with Chinese e-commerce include:

	Traditional Import E-Commerce	Cross-Border E-commerce
Legal Entity	Chinese local entity	Overseas entity
Trademark and IP Requirements	Chinese local registration	Overseas registration only
Regulation / Policy	Regarded as bulk goods, must have relevant Chinese Certification, such as CFDA, Animal Test	Online B2C Model, can white list with China Customs and sell with no Chinese Certification
Tax	Must pay tariffs, GST, and VAT	30% discount of GST 30% discount of VAT 0% Tariff
Business complexity	Overseas Brand → Layers of international trade companies → Chinese local distributors → Final Consumers	Overseas Brand → Through Cross-Border E-Commerce Channel → Work with local service agency or hire local employees to support shop operations → Final Consumers
Logistics	Must hold inventory in China	Option 1: Hold inventory in your US warehouse Option 2: Hold inventory in JD.com's US warehouse Option 3: Hold inventory in bonded warehouse of China
Settlement Currency	RMB	USD
Lead time for initiating business	At least one year	2-3 weeks



Image: Burst Shopify

Cross-Border E-Commerce Has Lower Entry Barriers

	Traditional Import Trading	Cross-Border E-commerce
Legal Entity	Chinese local business	Overseas business
Trademark and IP Requirements	Chinese local registration	Overseas registration only
Regulation / Policy	Regarded as bulk goods with CFDA requirements	Regarded as personal articles with no CFDA requirements
Tax	Tariff + GST + VAT	30% reduction of GST & VAT; No Tariff
Business Model	Products to overseas distributor → Exporters → Importers → Local Chinese distributors	Products sold directly to Chinese consumers from overseas

Lower entry barriers + lower costs & taxes

Estimated tax: 9.1%

JD.COM DATA ON CHINESE CONSUMER TRENDS



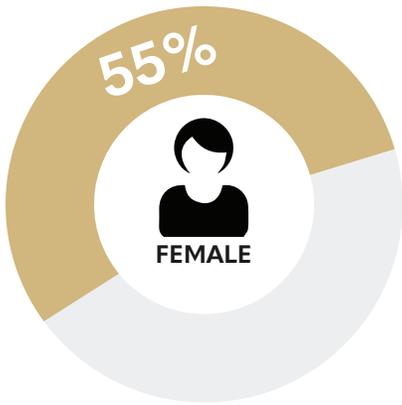
Images: JD.com

China E-commerce

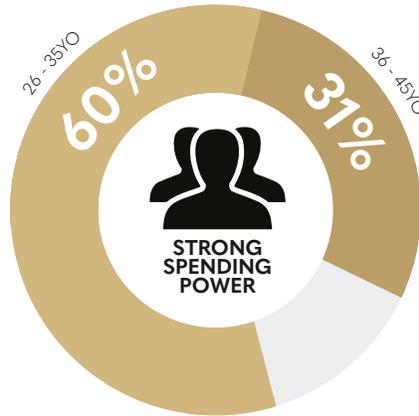
Even as COVID-19 has wreaked havoc around the world, it has had unforeseen effects on global consumer behavior, resulting in the meteoric rise of e-commerce. In China, the world's largest e-commerce market, e-commerce sales revenue is set to grow from 13.8 trillion yuan (\$2.1 trillion) in 2021 to 19.6 trillion yuan (\$3 trillion) in 2024, according to GlobalData forecasts.

China now accounts for more than half of all e-commerce globally; and within China, online retail sales of consumer goods accounted for 24.5 percent of total retail sales by the end of 2021.

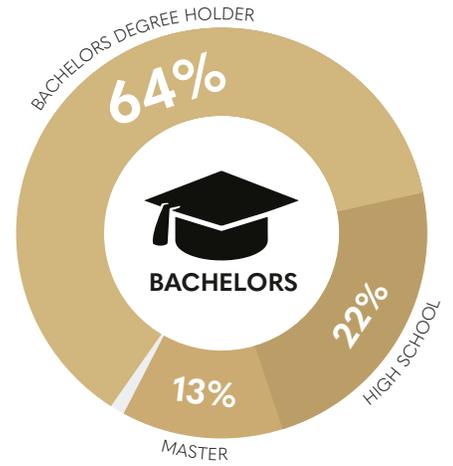
Cross-Border Customer Profile on JD.com



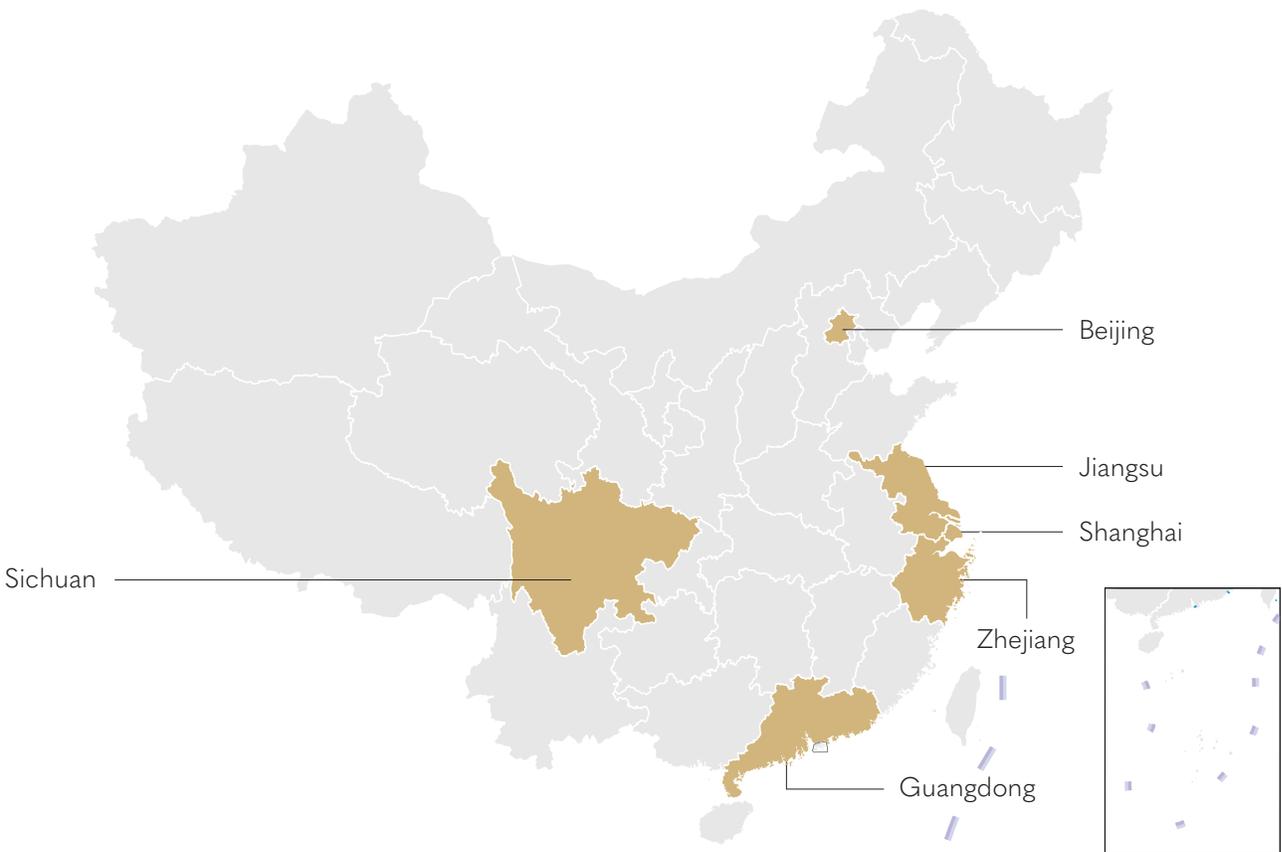
55% female



60% between the ages of 26-35 with strong spending power



64% have at least attained a bachelors degree

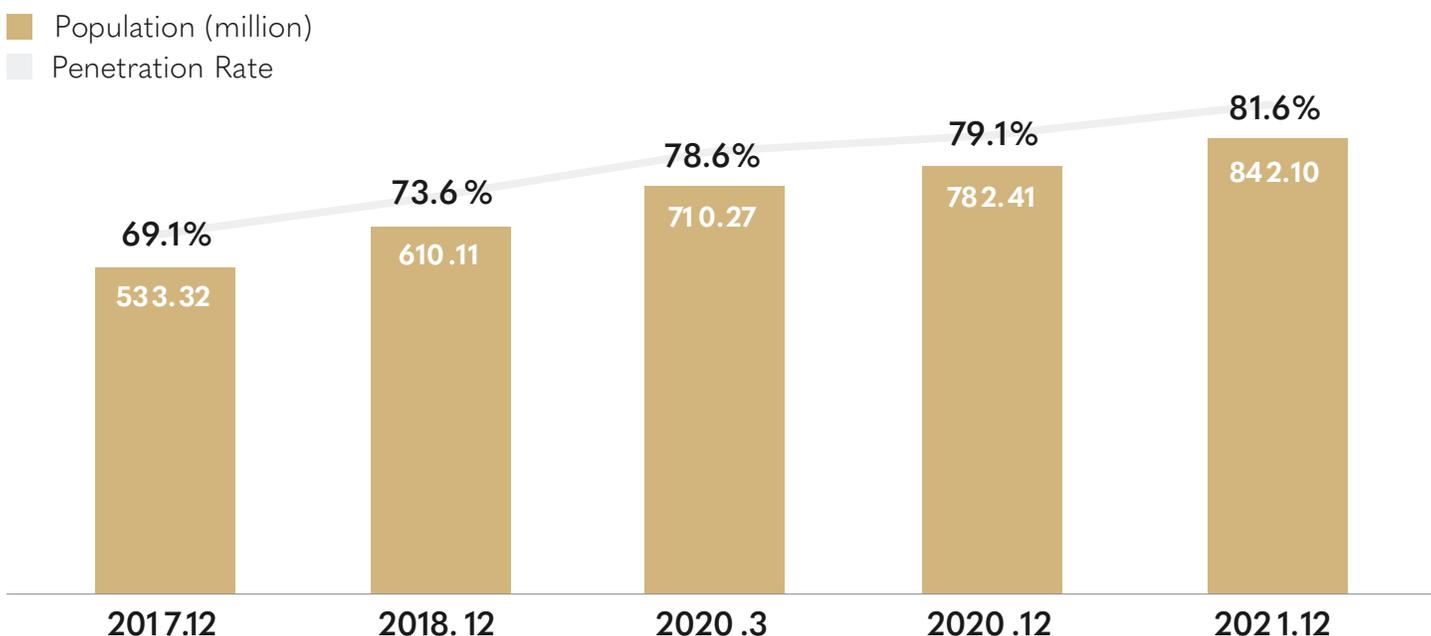


Mostly located in large 1st tier cities

Changes in Consumer Behavior

Tectonic shifts in consumer behavior are driving the rapid growth of China's e-commerce market. As of February 2022, more than one billion people in the country are now online, bringing internet penetration to 73 percent, according to China's National Bureau of Statistics. Efforts to build out internet infrastructure in China's rural areas have borne fruit, with internet penetration among rural residents jumping from 39.8 percent in June 2019 to 57.6 percent in 2021. As urban dwellers have largely modernized, many believe it is the country's rural areas that hold the greatest potential for future growth.

As of 2021, 842 million people across China have made purchases online, with robust digital payment options facilitating the country's rapid acclimatization to e-commerce.



China Online Shopper Scale and Penetration Rate

During the pandemic, droves of people went online for the first time to shop for groceries, even elderly shoppers, who had previously been slower to adapt to the country's rapid digitalization. In fact, senior shoppers have become China's fastest-growing segment of online shoppers since the onset of the pandemic, according to JD.com data.

Already totaling 3.7 trillion yuan (\$559.3 billion) in 2018, China's "silver economy" is expected to reach 5.7 trillion yuan (\$861.6 billion) by the end of 2021, according to iiMedia Research group. Other rising consumer groups in China include Gen Zers and pet owners.

Also shaping Chinese shopping behavior is the country's shopping festival bonanzas, the most popular of which being 618 (launched by JD.com to honor its anniversary on June 18 each year) and Double 11 (11.11, held on and around November 11 each year). These festivals offer enormous discounts, innovative digital experiences, exciting product launches and more.

To give a sense of the astronomical scale of these events: During last year's 618, JD.com reported a total transaction volume of over 343.8 billion yuan (\$51.9 billion). For brands entering the China market, participation in shopping festivals can be essential for success.

Another unforeseen impact of the pandemic has been a surge in cross-border e-commerce imports in China, due to travel restrictions that have prevented shoppers from buying luxury and other products abroad. According to China's Ministry of Commerce, consumer goods imports to China grew 8.2 percent in 2020, reaching 1.57 trillion yuan (\$237.32 billion).

JD.com's platform for imported products, JD Marketplace (also known as JD Worldwide), saw sales growth of over 120 percent YOY on the first day of last year's 618 Grand Promotion and sales of nearly 1,500 brands increased over 100 percent YOY. It has become a go-to platform for Chinese customers to shop for imported products online and offline, offering nearly 20,000 brands and over 10 million SKUs (stock keeping units), covering categories including maternal and baby, fashion, beauty, electronics, food, health supplements and more.

The import product category composition is a good indicator of quality pursuit among Chinese consumers. According to JD.com data, high-quality products related to health, self-care, and self-improvement are in strong demand among

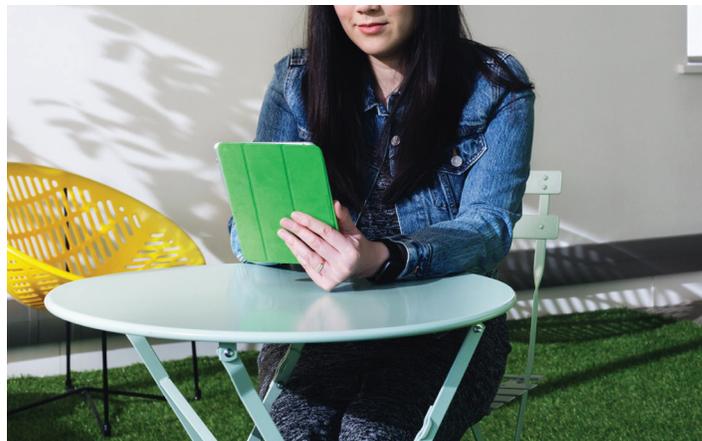
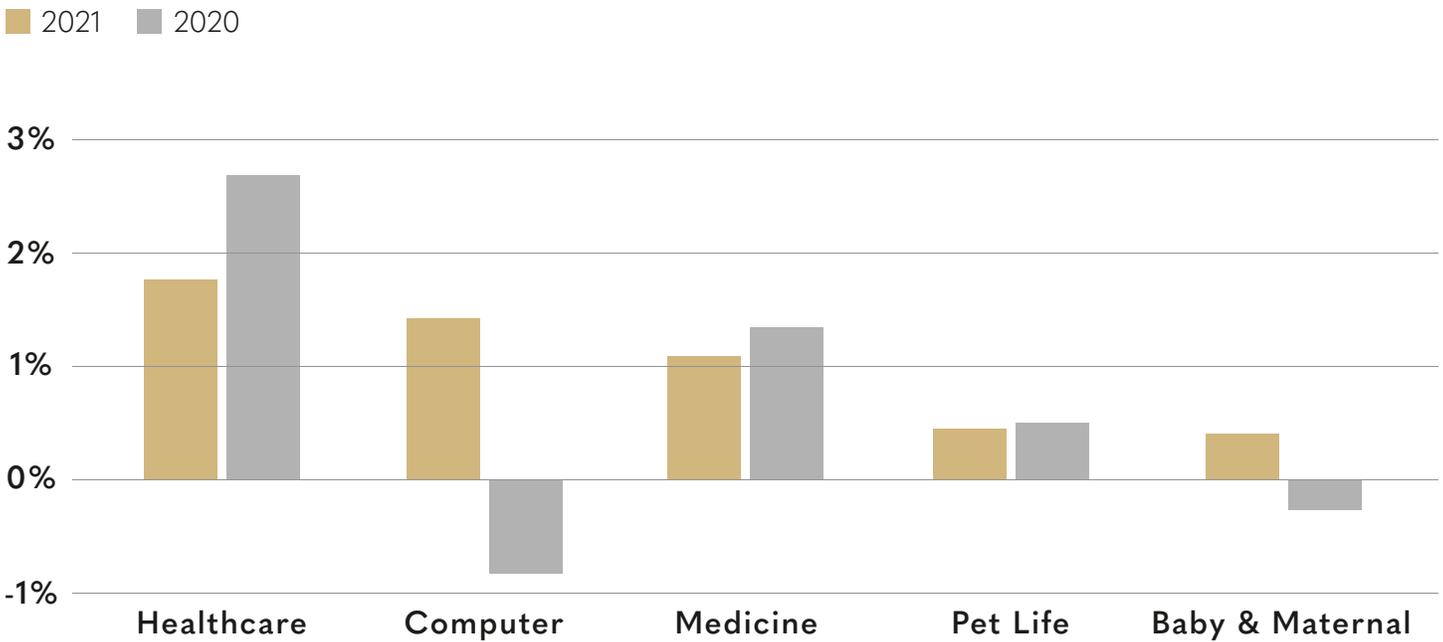


Image: Burst Shopify

cross-border import products, with cosmetics and skincare, baby and maternal, and healthcare products being the top three categories by both sales and order volume, accounting for nearly two-thirds of the platform's overall sales. By sales, the most popular import brands are from the United States, Japan, Germany, France, and Korea.

Besides the leading categories, JD.com data for the two years up to September 30, 2021 revealed that categories related to pet life, medicine, personal care and computer products – such as brush heads for electric toothbrushes, humidifiers, baby formula, hair care, and pet food – are rising rapidly.



2020-2021 Changes in Consumption among Top Categories of Cross-border Imports

Consumers in China's first-tier cities – namely Beijing, Shanghai, Shenzhen, and Guangzhou – are the driving force behind cross-border consumption, although lower-tier markets have seen considerable demand increase. According to 2021 data from JD.com, consumers from China's first-tier cities and a large number of sixth-tier cities constituted the majority purchasing power of cross-border import products, while the market in lower-tier cities is developing considerably faster than the market in high-tier cities.

Data shows that consumers aged 30 to 49 make the majority of cross-border e-commerce purchases, accounting for 60 percent of total consumption. While consumers aged below 30 are increasing the fastest among all age groups, consumers aged 40 and above buy more nutrition products, consumers aged between 35 and 39 buy more beauty and skin care products, and consumers aged between

25 and 34 buy more baby and maternal products.

On the first day of the last Double 11 Grand Promotion on November 1, transaction volume from over 1,000 overseas brands increased by 100 percent year on year. JD Marketplace's total transaction volume increased by more than 70 percent.

Consumer Goods

Here are some of the largest and fastest growing categories on the JD Marketplace platform:

- 1. Trendy Women's Bags:** The top three categories by GMV are shoulder bags, messenger bags, and handbags.
- 2. Women's Wear:** T-shirts and hoodies were the top two largest categories due to their casual, daily, and versatile characteristics. Dresses are also a high-potential category—in the six months ended April 2022, silk dresses, waist dresses and A-Line dresses were particularly hot sellers.
- 3. Fashion Accessories:** The top three categories by GMV are necklaces, bracelets and anklets, and earrings.
- 4. Bedding:** It is recommended to focus on offering diverse multi-piece sets (especially four-piece sets). Recently, sales of silk quilts and memory-foam pillows have increased.
- 5. Mother and Baby:** Maternal care and nutrition products are the key categories. Similar to healthcare products, consumers buying mother and baby products are highly sensitive to perceived quality. Chinese consumers view imported products and brands in this category as more reliable and trustworthy.
- 6. Pet Food:** We recommend emphasizing brand quality and nutritional value, because pet owners are increasingly interested in choosing higher-end products. At the same time, offering an assortment of brands can attract more Gen Z consumers, which in China have been called the “main driver of the cat economy.”
- 7. Beauty Tools:** Cotton pads, makeup brushes, and beauty blenders account for the largest proportion in the market.
- 8. Hairdressing / Wigs / Hair Styling:** The market currently has high demand for hair dying products, wigs, and styling products.
- 9. Menswear:** T-shirts and hoodies have the highest market demand, with “loose” and “niche” being key words to consider. In addition, given the growing purchasing power of a huge demographic of mid-20s male users on JD.com, business casual jackets and slacks, as well as trendy jeans are also high potential categories.
- 10. Toys:** Building blocks accounted for the highest percentage of turnover in the toys category, with mag-formers and magnetic rods categories having great potential.

CASE STUDIES

BRAGG Apple Cider Vinegar

Apple cider vinegar is gaining popularity among Chinese consumers, and while the American brand BRAGG is becoming more well-known in China for its full range of the products, the century-old company is most widely known for its classic apple cider vinegar.

Previously, Chinese consumers had no choice but to purchase BRAGG products abroad, a costly and time-consuming endeavor that meant spending more on shipping than on the vinegar itself (not to mention waiting weeks to receive the package). But since 2021, BRAGG has become available in China, offering a full range of products – which now include soy sauce, olive oil, health care items, and more – low prices, and quick delivery time.

Considering the widespread of its product on domestic social media platforms, coupled with the brand's global fame and multi-product line model, it was a perfect time to enter the China market. To introduce the brand to the country, the agency opened the BRAGG international flagship store on JD Marketplace in April 2021. According to BRAGG operation data from the previous year,



Image: BRAGG Instagram

the consumers are youngsters who are beauty-obsessed with disposable income.

According to Peng Baoxing, operations manager of the BRAGG store, “the decision to enter China with JD Marketplace is due to JD.com's excellent recognition among the middle and high-end consumer groups.” Added Peng, “We made a very good choice,” adding, “Although apple cider vinegar does not have the same scale as FMCG products, it has a high consumer repurchase rate and sustained earnings.”

JD Marketplace supports brands to participate

in individual and joint promotions and also helps them to explore more sales scenarios. JD Marketplace matches the corresponding resources such as consumer spikes to help the store quickly improve the weight of exposure. In addition, JD Marketplace supports BRAGG in rationalizing the layout of the sales cycle and maximizing the use of shopping festivals. Finally, JD Marketplace assists BRAGG in expanding its product line to explore the gift-giving attributes of the products and broaden the sales scenarios.



Image: BRAGG Instagram

The turnover of BRAGG’s overseas flagship store jumped 56 times in Q3 2021 compared with Q2, and the subscriber of the store also soared to 787 percent quarter-on-quarter, making it a “dark horse” among the new merchants of 2021.



Image: JD.com



Image: Minois Paris official website

Minois Paris

As the cross-border e-commerce market has matured in recent years, consumer needs have changed from basic necessities to demand for lifestyle quality improvements and from only trusting big brands to focusing more on those that offer quality and positive results.

In the process of such evolution, many emerging overseas brands have grown rapidly, especially those that specialize in specialized areas and have received positive feedback on social media.

One such brand is Minois Paris, a natural skincare range made in France that targets the baby market, which launched on JD.com in October 2020. During the Double 11 Grand Promotion on November 11, 2021, the store's transaction volume increased by 135 percent year-on-year (YOY), with its baby facial cream recording a 200 percent YOY sales increase and its two-in-one shampoo and body wash seeing sales jump 160 percent YOY.



Image: JD.com

The founder of Minois Paris is also a mother who understands the needs of new mothers. Marketing at higher price points than many baby products on the market, the brand positions its products as of “the highest standards,” suitable for parents “in search of a more responsible lifestyle.”

One of the main reasons why the trade partner in cross-border business, Prosperous International (Hong Kong) Trading, chose to work with JD Marketplace is to attract and retain middle- and upper-class Chinese consumer groups with strong purchasing power who are willing to invest in

improving quality of life. For niche beauty and skin care brands like Minois Paris, reaching the right consumers remains a challenge in new markets.

The launch of the Minois Paris store on JD.com was supported by JD Marketplace through driving traffic to the store among consumers often unaware of the brand, then through suggestions from JD Marketplace on how to optimize product descriptions and presentation. JD Marketplace and Minois also worked together to set quarterly and annual sales goals and brand promotion plans, with traffic and expense support provided during major discount campaigns. Based on market trends, JD Marketplace provided Minois Paris guidance on the store’s expansion and new product development to better meet the needs of target consumers.



Image: Minois Paris Instagram

BEST PRACTICES

Choose products that are market appropriate

Take time to understand the differences between Western and Chinese customers. This could be in product sizing (for clothing), skin tone (for cosmetics products) and consumption patterns (for food or personal care). It is important to have a foundation for your Chinese customer persona. This knowledge should be paired with an avoidance of products that could be considered politically-sensitive ([example](#)) or conflict with local regulations (e.g. CBD products).

Research your brand's existing presence on Chinese marketplaces and social media

If you can do some research beforehand on JD.com or other marketplaces, have a look at whether your products may be being resold by third-party sellers ("gray market"). We've seen Chinese consumers with an international appetite, buying products before the brands have established an official presence in China. The same can be said for social media mentions on Weibo, Douyin or WeChat - where users are posting about the products they love which they purchased overseas.

Represent your products accurately

E-commerce in China gives buyers a smooth and hassle-free return policy. This can create challenges for products that are different than they appear when seen in-person. Ensure that your products are represented accurately and hedge against returns by choosing products you may have a lower return rate on.

Manage your short-term expectations

It's not an exaggeration to say that everyone is excited about the size and potential of the China market. But that doesn't mean that your brand will succeed from day one. If you are a small but growing brand, it will take time to find your audience in China and your expectations should be managed accordingly. Entering China is about the long game and the evolving nature of commerce means that you need to learn, invest and adapt before you can have your breakout success.

Your followers on Facebook, Instagram and Twitter don't matter

Whether you have a few hundred followers or millions, the fact that Facebook, Google and Twitter are blocked in China means that your marketing strategy needs to adapt. Beyond being on JD.com you could consider how your brand adopts an official presence on Weibo, Douyin or WeChat to interact with your Chinese fans. An Instagram post about your Summer Clearance Sale is not going to have an influence on your China business - so it's time to get creative and try some new social channels.

Mindful of Key Promotional Periods

We've all heard of Double 11 (11.11), but did you know that Chinese marketplaces have many similar events throughout the year to capture shoppers' attention? Brands should work towards capitalizing on peak shopping volume from periods like Chinese New Year, The largest mid-year shopping festival 618, Mother's Day and more. This means planning 6-8 weeks in advance on your top SKUs with appropriate discounts to turn fans into customers.

SOLUTIONS: BENEFITS OF JD MARKETPLACE

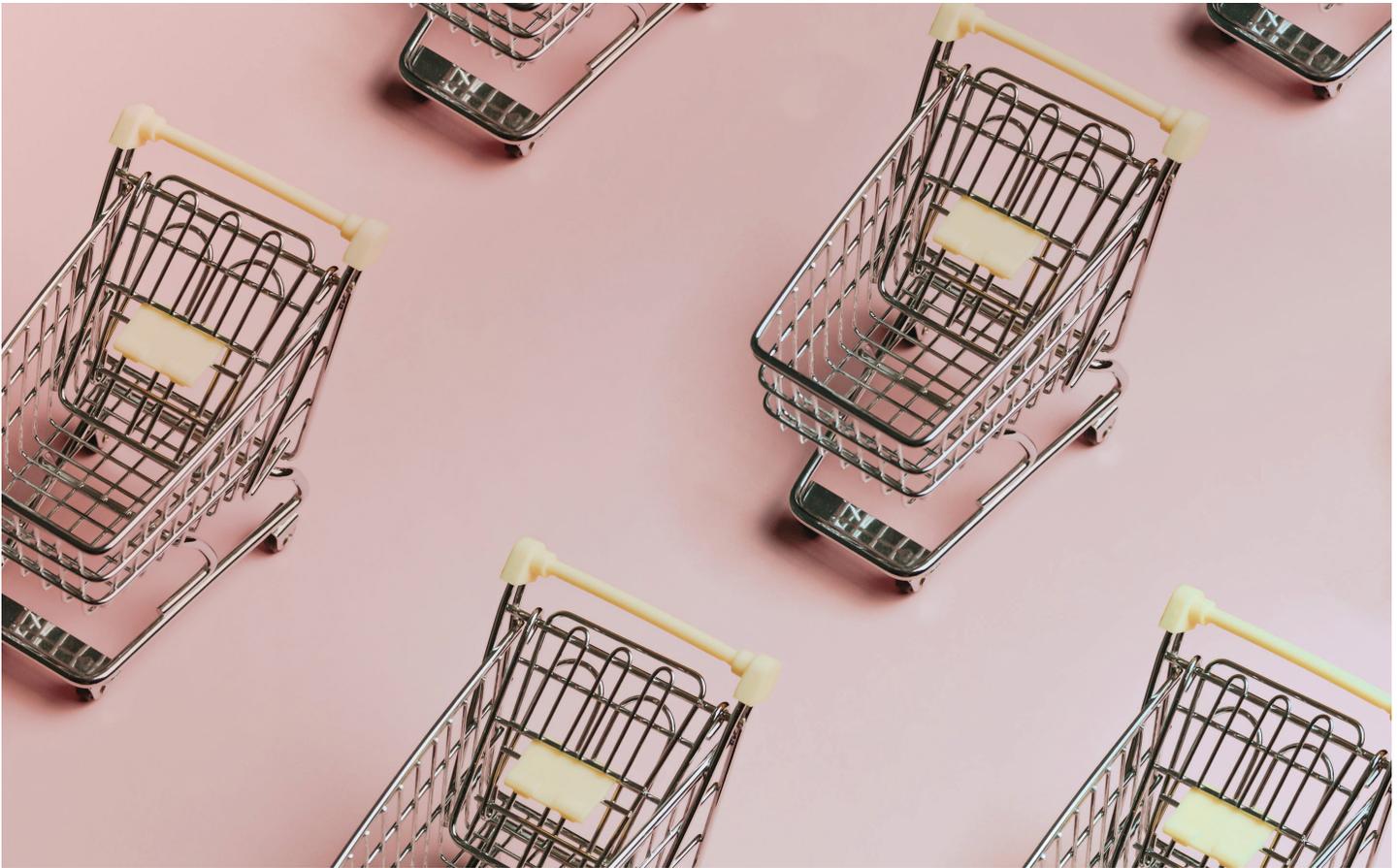
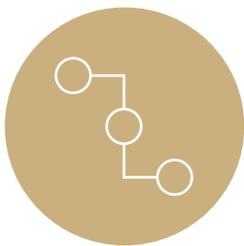


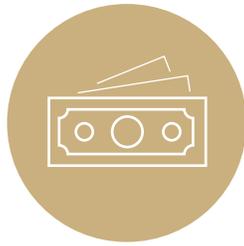
Image: Burst Shopify

One-stop Solution for Success in China



Straight forward entry solution

Supply an official JD multi-brand store or open a branded flagship store



No deposit or platform fee

11-15% store service fee on sales depending on category



Products sync from Shopify

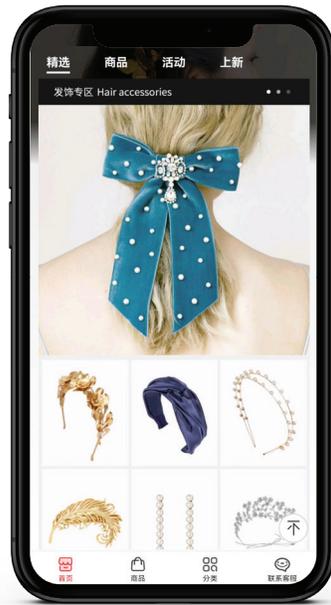
Automatic language translation and currency conversion



Easy order fulfilment to China

Simply ship to JD's US warehouse, streamlined international logistics

Open an Independent Flagship Store to Showcase Your Brand



Open and operate an independent branded Flagship Store on JD



Sync products from Shopify and publish to your JD Flagship Store



Work with vetted JD Service Partners to operate and promote your store

Flagship Store allows you to showcase your brand and control image, operations, and promotions

Supply an Official JD Multi-Brand Store to Grow Your Customer Base



Targeted Pricing & Positioning

JD helps identify ideal pricing and target consumer audience



Valuable Placements to Drive Traffic

Favorable product placements to drive traffic and introduce new customers

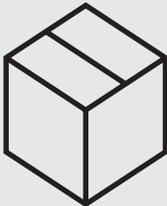


First-time Purchase Incentives

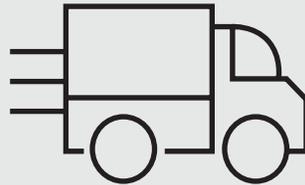
Coupons sponsored by JD to encourage new customers that discover your brand

Easy Order Fulfilment with JD Logistics

JD Logistics: best choice for fast delivery to customers in China



- 1300+ large-scale warehouses
- 24M+ m² of warehouse space



- 99% of China's population covered by distribution network



- 90%+ orders completed in 24 hours



Step 1

Brand receives order from JD Marketplace

Step 2

Brand ships order to JD Logistics warehouse in Fontana, California

Step 3

JD Logistics looks after export declaration, air freight to China, China customs, import declaration, domestic transportation to end customer

Start Selling to China in Less Than One Month



4.15	6.18	11.11	11.25
Global Shopping Anniversary	618 Grand Promotion	Double 11	Black Friday

Publish products in less than one month and participate in JD's major shopping events!

Start Selling to China with JD Marketplace in Six Steps

- 

Download JD Marketplace

Brand receives order from JD Marketplace
- 

Submit Application

Sign supplier model agreement, logistics contract & store contract
- 

Sync Products

Directly sync product information & set competitive prices
- 

Customs Filing

JD will transfer product information to China Customs
- 

Publish Products

JD will optimize, market and promote your brand on the official JD Store
- 

Order Fulfillment

Ship orders to JD's transfer warehouse in CA and JD will handle logistics to the end customer in China

Summary of Costs to Operate a JD Marketplace Store

	Flagship Model	Multi-Brand Store Model
Recommended	Vetted JD Service Partners Ranges from \$1,000-\$6,000/month + 3-10% commission	
Mandatory	<ol style="list-style-type: none"> Fixed store service fee deducted from JD monthly revenue 11-15% depending on category Local Registered Agent Estimated \$960/year fee + costs for storage and US return Logistic Fees to JD's CA warehouse paid to brand's preferred carrier 	
Applied to Customer at Checkout	<ol style="list-style-type: none"> 1. Logistics Fees from JD's CA warehouse to customer 1st Weight (1kg/~2.2lbs): \$4.62, Additional Weight: \$1.85/kg; ~\$0.84/lbs 2. Tax 9.1% on average 	

Exclusive Store Service Fee Offer

Category	Standard Service Fee	1st Year Discount Service Fee	¥200K (\$32K) GMV/quarter	¥500K (\$79K) GMV/quarter	¥1M (\$157K) GMV/quarter
Beauty	14%	11.9%	10.9%	10.4%	9.4%
Fashion & Jewelry*	15%	12.75%	11.75%	11.25%	10.25%
Fitness & Outdoor Sports	15%	12.75%	11.75%	11.25%	10.25%
Electronics & Accessories	12%	10.2%	9.2%	8.7%	7.7%
Medicine & Supplements	14%	11.9%	10.9%	10.4%	9.4%

Reduced service fee will take effect in the next quarter after qualification, must requalify each quarter

Exclusive Store Service Fee Offer for High SKU Brands**

Category	Standard Service Fee	1st Year Discount Service Fee	1,000 SKUs published	2,000 SKUs published	5,000 SKUs published	Max Discounted Service Fee
Beauty	14%	11.9%	10.9%	10.4%	9.4%	9.4%
Fashion & Jewelry*	15%	12.75%	11.75%	11.25%	10.25%	10.25%
Fitness & Outdoor Sports	15%	12.75%	11.75%	11.25%	10.25%	10.25%
Electronics & Accessories	12%	10.2%	9.2%	8.7%	7.7%	7.7%
Medicine & Supplements	14%	11.9%	10.9%	10.4%	9.4%	9.4%

Reduced service fee will take effect on the 1st of the next month and last until Dec 31st, 2022

* excluding gold, silver, and Swiss and German watches
 ** Brands with over 1,000 SKUs published

Why JD.com



Image: JD.com

China's largest Retail Company

JD.com is China's largest retailer by revenue, providing over 570 million active users with direct access to an unrivalled range of authentic, high-quality products, and helping both local and international brands tap into China's rapidly expanding e-commerce market.

In 2021, JD.com's revenue was \$149.3 billion, making it the third largest Internet company in the world by revenue after Amazon and Alphabet. As a NASDAQ and HKEx listed company, JD.com is the first Chinese Internet firm to make the Fortune Global 500, and rose to 59th place in 2021. The company has built the largest e-commerce logistics infrastructure in China, with a network of over 1,300 warehouses, and a track record of 90 percent of retail orders fulfilled within 24 hours.

During last year's Double 11 Grand Promotion,

JD.com reported total transaction volume of over 349.1 billion yuan (\$52.7 billion) during the 11-day sale. The promotion helped 31 brands achieve sales of over 1 billion yuan (\$151.1 million); and over 6,000 new apparel brands joined the campaign.

Built on a Promise to Customers

While its status today as an Internet juggernaut is undeniable, JD.com's beginnings were humble. In 1998, JD.com was launched as a small stall in an electronics shopping center. At the time, negotiable prices were a retail staple in China. Very rarely were prices fixed, and the authenticity of products was not a given. JD.com took a different approach: Authenticity would be guaranteed, and the trade-off would be fixed prices. Take it or leave it. Ultimately it was a smart gamble — it quickly became apparent that customers were happy to pay a fair price for a promise of authenticity, and the company took off.

Today, that promise of “100 percent authenticity, zero counterfeits” remains a core pillar of JD.com’s DNA, and the foundation upon which its reputation has been built. According to a survey conducted by iResearch consulting firm in 2020, JD.com is rated as China’s most trustworthy e-commerce brand.

As the world continues to deal with the ramifications of COVID-19 today, it was actually an earlier epidemic that shaped JD.com’s trajectory. When SARS hit in 2003, JD.com faced a crossroads. The company made a highly prescient decision then to close JD.com’s offline stores, and transition the business online. At the time, many JD.com employees and external critics questioned the wisdom of this decision — but the ease of online purchasing combined with the company’s absolute commitment to authentic products proved to be a winning combination that to this day, is central to its success. While the company has since expanded beyond e-commerce, its foundation as an Internet company built a foundation for its success.

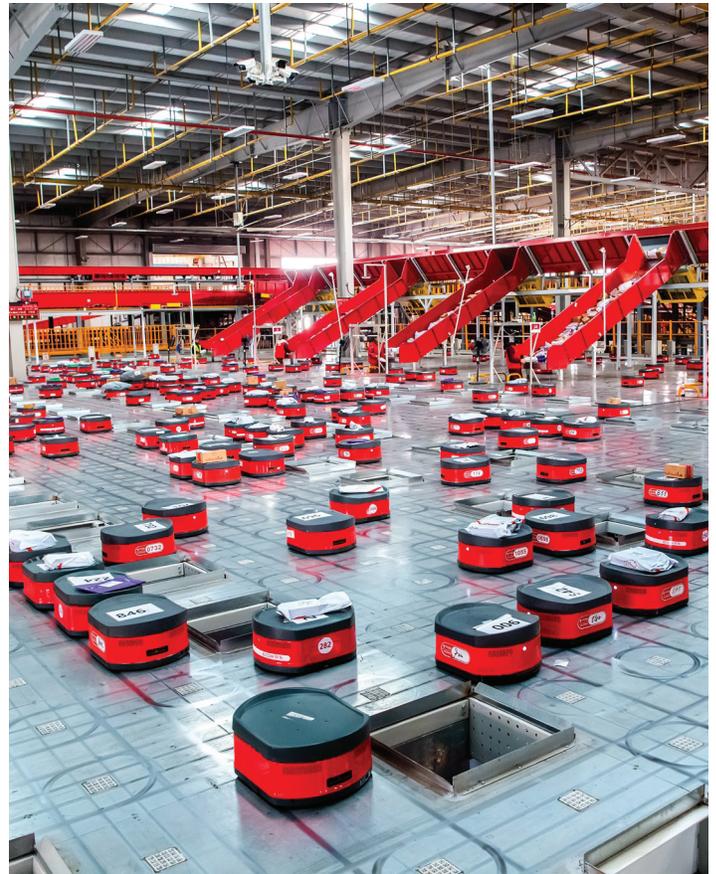


Image: JD.com

In-house Logistics Ensure Reliability

Another key strategy formulated in JD.com’s early years was a decision to begin building the company’s own supply chain in 2007, establishing an in-house logistics system that integrates warehousing and delivery. This choice required significant investment, and like the earlier decision to go online, faced resistance and skepticism at the time — but in the long-term JD.com’s in-house logistics network has proven one of its key competitive strengths. Having end-to-end control enables JD.com to ensure product quality and customer service. Today JD.com is the only e-commerce company in China with its own end-to-end logistics fulfillment business, which has also been essential to ensuring uninterrupted service during the disruptions of COVID-19.

JD Logistics is the largest integrated supply chain and logistics provider in China in terms of revenue, operating over 1,300 warehouses covering an aggregate gross floor area of around 24 million square meters and employing over 300,000 front-line employees. Its Asia No. 1 logistics park in Shanghai is capable of processing more than 1.3 million orders per day during peak seasons.

In 2021, JD International Logistics opened automated warehouses in six countries including the UK, the US, Australia and the Netherlands, with a total number of bonded and overseas warehouses reaching nearly 80. Its warehouse in the Netherlands served Hunkemöller, the eminent European ready-to-wear brand, covering the full range of B2B and B2C scenarios and fulfilling orders



Image: JD.com

in the Netherlands, France, Belgium and Luxemburg via automated goods-to-person AGV (Automated Ground Vehicle) robots. It also launched cargo flights from China to Thailand, the US and the UK to provide as fast as 48-hour door-to-door transportation service.

First- and Third-Party Businesses Ensure Wide Product Selection

JD.com's e-commerce platform offers an incredibly wide selection of products spanning various categories, across both its first-party and third-party business.

The company's first party-business sells products directly, with products purchased and stocked within JD.com's own warehouses. This first-party business focuses on certain key categories, guaranteeing quality and earning customer's trust and repeat visits.

JD.com's 3rd party platform merchants make up the bulk of product assortment for categories with diverse needs and niches, particularly in long-tail categories. In fact, the growth of JD.com's 3P marketplace exceeded that of its 1P direct sales

business during this year's 618 Grand Promotion.

Among the popular categories on JD.com are PC & digital products, for which JD.com aims to create a premium shopping experience for customers and to become the go-to online retail platform for PC & digital products. JD.com's reputation for trustworthiness, authenticity and reliable delivery are key with these kinds of higher-priced items. If a customer is not going to purchase such a product in store, they want to know with absolute certainty that the product will arrive at their doorstep, and it will be exactly as advertised.

JD.com has also made exciting strides in both fashion and luxury, aiming to create a global fashion ecosystem providing professional services to over 10,000 fashion sellers. During the past year, JD.com has expanded innovative partnerships with brands under luxury giant LVMH, including BVLGARI, Guerlain, Givenchy Beauty and more. Similarly, JD Beauty aims to be the first stop for customers to buy beauty products.

Sustainability

As a supply chain-based technology and service provider, JD.com contributes to China's carbon neutrality goal and global climate action by building a cleaner supply chain system with a lower carbon footprint. JD.com's green supply chain efforts span logistics, warehousing and transportation.

According to JD.com's 2021 ESG report, the company's reusable packaging boxes have been used over 16 million times. With the introduction of cold chain boxes, JD.com has realized a cumulative reduction of 180 million disposable foam boxes and 600 million disposable ice packs. Additionally, the company has promoted "slim" tape, slimming tape from 60 mm to 45 mm in width, resulting in a reduction of 400 million meters (roughly 100 times

the circumference of the Earth) of tape per year.

In addition to packaging, the company has pioneered green warehousing with rooftops distributed solar PV systems that generated 160 million KWH in 2021, new energy vehicles that reduce 120,000 tons of CO2 a year, green data centers with power usage effectiveness below 1.3 by utilizing energy-saving technologies and more.

Traffic

JD.com operates one of the largest digital advertising networks in China, and leverages these same marketing resources to generate big opportunities for international brands during shopping events.

The JD Marketplace platform uses many of these same resources to bring massive amounts of traffic to the platform during these shopping events, including:

Channeling traffic from the main page of JD.com, and other JD internal traffic resources.

Connecting with Chinese consumers through JD.com's various external advertising and marketing channels, including some you may have heard of:

WeChat, Douyin (the China-market sibling of TikTok), microblogging platform Weibo, and many others.

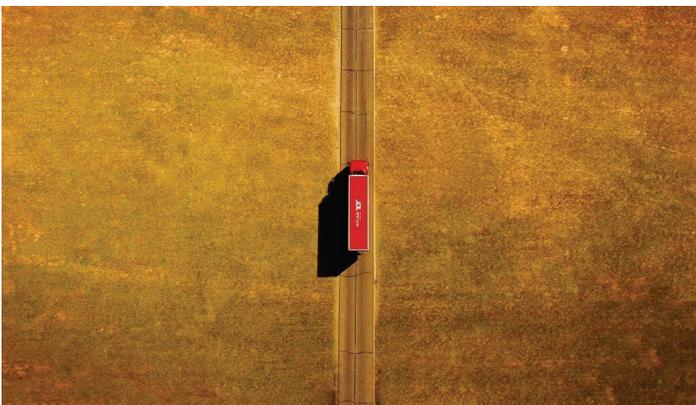
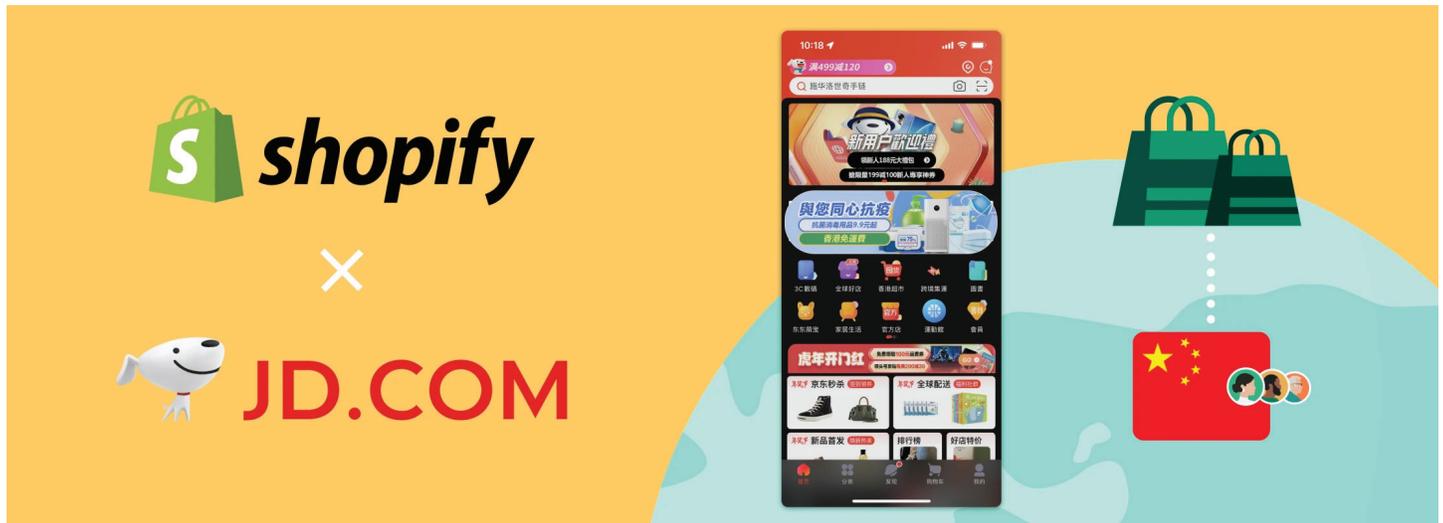


Image: JD.com

CONCLUSIONS

Conclusions

While cross-border e-commerce has long been a popular way for Chinese consumers to obtain coveted items from around the world, its promise is only now becoming a reality for a wider range of brands from markets like the United States. Rather than attempting to enter the China market alone, leveraging new platforms that simplify the process and lower the regulatory barriers increases the potential for success in a fast-moving China market.



Shopify and JD.com strike strategic partnership, making it easier for merchants to sell to consumers in China
Image: Shopify

As we have seen in cases like Minois Paris, with the help of JD Marketplace, even niche brands with lower name recognition in the China market can greatly accelerate what previously would have been a costly, long-term marketing effort to build brand awareness and revenue.

But once a brand has leveraged cross-border e-commerce to drive sales and brand awareness, the next stage must be a sustained effort to maintain and build on that momentum. As previously noted, this can be achieved via constant observation of market trends and consumer sentiment in order to ensure a brand continues to sell products that are the most appropriate to the market and changing consumer demand. Being perceived as a brand that is simply throwing all of its products at the market can cause consumer backlash and invite negative sentiments. And avoiding that is as simple as constantly checking

to make sure all products are seasonally appropriate as well as on-trend.

As incomes and digital connectivity rise in inland China and urban residents continue to opt for the convenience of at-home shopping, engaging in cross-border e-commerce will become increasingly crucial for western brands hoping to tap Chinese consumer demand. This reality makes the partnership between Shopify and JD.com on JD Marketplace even more ideal for international merchants, increasing operational flexibility to its highest-ever level while helping avoid the obstacles that previously would have made expansion into the China market a possibility for only the largest brands.

APPENDIX

FAQ

1/

What sets JD.com apart from other e-commerce companies in China?

JD.com is China's leading one-stop e-commerce enterprise, providing nearly 570 million active customers with direct access to an unrivaled range of authentic, high-quality products, and helping leading local and international brands tap into China's fast-growing e-commerce market.

JD.com has always maintained a strict "zero-tolerance" policy regarding counterfeit products. Customers trust JD.com because they know the brand is a guarantee of authenticity.

Over the past 15 years, JD.com built one of the largest fulfillment infrastructures among e-commerce companies in the world. JD delivers approximately 90% of orders the same or next day, a rate of fulfillment that no other e-commerce company of JD's scale can match globally. By managing every step of the supply chain, right through to the "last-mile" delivery to customers, JD ensures a superior customer experience.

2/

What are the benefits of cross-border e-commerce?

Selling cross-border into China allows companies to enjoy regulatory and financial benefits. You can register to sell on JD with a foreign business license and trademark. There is no need to register locally as a Chinese company, which can take up to one year.

Cross-border shipments are also regarded as personal articles with no CFDA requirements, and enjoy a 30% reduction of GST and VAT and no tariff. Typically, the average tax rate is 9.1%.

The process to launch your brand in China is much simpler with cross-border e-commerce. Instead of working with an overseas distributor, exporters, importers, and local Chinese distributors, products are sold directly to Chinese customers.

3/

Do I need to have a business registered in China or a trademark registered in China?

No, you do not. For cross-border e-commerce in China, you can apply with foreign business licenses and trademark documents. The requirements are much more lenient than traditional import business models.

4/

What categories sell best on JD.com?

For cross-border sales on JD.com, the top categories are beauty and fashion. Other popular categories include health products, sports and outdoor gear, personal care, and mom and baby care products.

5/

Does JD Marketplace have platform fees or a required deposit?

For Shopify merchants onboarding through JD Marketplace, the deposit and platform fees are waived. The only fees are an 11-15% store service fee paid to JD, and an annual fee ranging from \$150-960 for a Chinese partner agency to take joint legal responsibility for actions in China and provide a return address. Waived deposit and platform fees are only available exclusively through JD Marketplace.

6/

How can I launch my store on JD.com using the JD Marketplace Shopify app?

Launch your store on JD in five simple steps. First, [download the JD Marketplace sales channel](#) on Shopify. Then, provide company and brand information and submit the store application. Once the application is approved, sync products from Shopify, submit the customs filing within the app, and publish products directly to the JD store.

JD Marketplace offers launch solutions for brands of any size or stage. For brands with an existing strong following in China, the process of opening an independent flagship store is fast-tracked. The traditionally lengthy process is cut down to a few days.

For brands officially launching in China for the first time, JD Marketplace has developed a way for them to hit the ground running without major upfront costs. Instead of a flagship store, products are published in an official JD multi-brand store where JD handles

listing optimization, promotions, and after-sales. The only upfront cost to launch in our multi-brand store is \$150 annually for potential returns.

7/

What is the Flagship Store model?

The Flagship Store model allows brands to open and operate an independent flagship store on JD to showcase their brand and control image, operations, and promotions. Sync products from Shopify and easily publish them to the JD flagship store.

Brands interested in this model are strongly encouraged to work with a JD Service Partner to help operate and promote their store if they do not already have a team in China that is familiar with JD's ecosystem.

8/

What is the Multi-brand Store model?

The Multi-brand Store model allows companies to supply products to an official JD Multi-brand Store. Sync products from Shopify, provide JD with a distributor price, and ship orders to JD's US warehouse. Published products are listed in an official JD Multi-brand Store and JD handles listing optimization, marketing, and promotions.

9/**Do I need to translate my listings to Chinese?**

The JD Marketplace app automatically translates listings from English into Chinese. However, if your team does not have Chinese language capability, JD recommends working with a JD Service Partner to further optimize the listings. For products listed through the Multi-brand Store model, the official JD Multi-brand Store will help optimize listings for you.

10/**Do I need to work with a JD Service Partner? What can they help with?**

If you choose the Flagship Store model, then you are strongly recommended to work with a JD Service Partner if your team is not familiar with JD's ecosystem. There is no need to work with a JD Service Partner with our Multi-brand Store model because the official JD Multi-brand Store will take care of operations and marketing.

JD Service Partners are agencies with expert knowledge of JD's ecosystem and algorithm. They help brands optimize product selection, pricing, listing content and manage their store's day-to-day operations.

JD Service Partners will also work with you to design a beautiful, branded storefront and product pages – this directly impacts the conversion rate.

11/**Do I need to pay for international shipping to China?**

No. For JD Marketplace's cross-border business model, brands only need to ship products to JD's LA warehouse with their preferred carrier. From there, JD Logistics will take over to reach the end customer in China.

12/**Can I use JD Marketplace if my business isn't based in the US?**

JD Marketplace can be used as long as your Shopify store is located in the US or any region where the main transaction currency is USD. At the moment, inventory must also be located in the US for efficient shipments to JD's US warehouse.

Shopify Store Sign-up Link

 If you are interested in setting up a Shopify store, please [click here](#).

JD.com Sales Channel APP Details and Download Link

-  JD Marketplace app [download](#).
-  JD Marketplace on-boarding [help doc](#).
-  JD Marketplace on-boarding [tutorial video](#).

Co-presented by  **shopify**  **JD.COM**

For partnership or advertising inquiries in China, please contact:
fiona@jingdaily.com

For partnership or advertising inquiries in North America and Europe, please contact:
daphne@jingdaily.com

Connect with Us



© 2022 Herlar, LLC. All rights reserved. *Jing Daily*® is a registered U.S. trademark of Herlar, LLC.